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Ministerial Changes

Following the resignation of the Secretary of State for Trade and Industry, the Rt Hon Cecil Parkinson, MP, on 14 October a number of new ministerial appointments have been made.

The new appointments to the Cabinet, announced on 16 October, are as follows:

Secretary of State for Trade and Industry
Rt Hon Norman Tebbit, MP (former Secretary of State for Employment)

Secretary of State for Employment
Rt Hon Tom King, MP (former Secretary of State for Transport)

Secretary of State for Transport
Rt Hon Nicholas Ridley, MP (former Financial Secretary to the Treasury)

Other appointments, announced on 18 October, are:

Ministry of Defence
Parliamentary Under-Secretary of State (Defence Procurement)
Mr John Lee, MP

Department of Employment
Minister of State
Mr John Selwyn Gummer, MP (former Parliamentary Under-Secretary of State, Department of Employment)

Department of Transport
Minister of State
Mrs Lynda Chalker, MP (former Parliamentary Under-Secretary of State, Department of Transport)

Treasury
Financial Secretary
Mr John Moore, MP (former Economic Secretary to the Treasury)

Economic Secretary
Mr Ian Stewart, MP (former Parliamentary Under-Secretary of State for Defence Procurement, Ministry of Defence)

The Cabinet
Following the new appointments, the composition of the Cabinet is as follows:

Prime Minister, First Lord of the Treasury and Minister for the Civil Service
Rt Hon Margaret Thatcher, FRS, MP

Lord President of the Council and Leader of the House of Lords
Rt Hon The Viscount Whitelaw, CH, MC

Lord Chancellor
Rt Hon The Lord Hailsham of St Marylebone, CH, FRS

Secretary of State for Foreign and Commonwealth Affairs and Minister of Overseas Development
Rt Hon Sir Geoffrey Howe, QC, MP

Secretary of State for the Home Department
Rt Hon Leon Brittan, QC, MP

Chancellor of the Exchequer
Rt Hon Nigel Lawson, MP

Secretary of State for Education and Science
Rt Hon Sir Keith Joseph, Bt, MP

Secretary of State for Northern Ireland
Rt Hon James Prior, MP

Secretary of State for Energy
Rt Hon Peter Walker, MBE, MP

Secretary of State for Defence
Rt Hon Michael Heseltine, MP

Secretary of State for Scotland
Rt Hon George Younger, TD, MP

Secretary of State for Wales
Rt Hon Nicholas Edwards, MP

Secretary of State for the Environment
Rt Hon Patrick Jenkin, MP

Lord Privy Seal and Leader of the House of Commons
Rt Hon John Biffen, MP

Secretary of State for Social Services
Rt Hon Norman Fowler, MP

Secretary of State for Trade and Industry
Rt Hon Norman Tebbit, MP

Chancellor of the Duchy of Lancaster
Rt Hon The Lord Cockfield

Secretary of State for Employment
Rt Hon Tom King, MP

Minister of Agriculture, Fisheries and Food
Rt Hon Michael Jopling, MP

Chief Secretary to the Treasury
Rt Hon Peter Rees, QC, MP

Secretary of State for Transport
Rt Hon Nicholas Ridley, MP

Prevention of Terrorism Bill

The Prevention of Terrorism Bill was given a second reading in the House of Commons on 24 October. It incorporates changes recommended by Lord Jellicoe in his review of the Prevention of Terrorism (Temporary Provisions) Act 1976 (see pp 92-6), which gives the Secretary of State and the police powers designed to prevent acts of terrorism. Among the main changes are the extension of special police powers of arrest and detention to international terrorists and the limitation of the duration of exclusion orders to three years. The Act would have a limited life of five years and, like the present legislation, would be subject to annual renewal.

The 1976 Act

The Prevention of Terrorism (Temporary Provisions) Act 1976, which the proposed legislation would replace, empowered the Secretary of State to make exclusion orders against persons involved in terrorism connected with Northern Irish affairs to prevent them from entering Great Britain, Northern Ireland or the United Kingdom as a whole. It gave the police powers to arrest without warrant a person suspected of involvement in terrorism and to detain that person for up to 48 hours or, on the direction of the Secretary of State, up to seven days. It also provided for a security control over travellers at ports; for the proscription of terrorist organisations; and made it an offence to withhold information about acts of terrorism.

Parliamentary Debate

The Prevention of Terrorism Bill was given a second reading by 302 votes to 144 in the House of Commons (*Hansard*, Vol 47, No 33, cols 53-117), the House voting on an Opposition motion to reject the Bill on the grounds that it was based on a review that conceded that there could be no clear proof of the effectiveness of such measures.

Home Secretary's Speech

Opening the debate, the Home Secretary, Mr Leon Brittan, said that the changes incorporated in the Bill were designed to achieve what Lord Jellicoe saw as the proper balance between the safety of the public and the rights of the individual. He reminded the House that the first Prevention of Terrorism Act was passed as an emergency measure in 1974 in response to an intensive campaign by the Provisional IRA in Northern Ireland and on the mainland. The following year a new Bill was introduced to give Parliament the opportunity to debate the provisions in more detail and this became the Prevention of Terrorism (Temporary Provisions) Act 1976. Both the 1974 and 1976 Acts had been subject to regular renewal – at intervals of six months and one year respectively. This had served as a reminder that the powers bestowed on the Secretary of State and the police were exceptional and should be exercised only with the greatest care and consideration. In other circumstances they would be wholly unacceptable but, like his predecessors, he was certain that they formed an essential element in the fight against terrorism.

Mr Brittan said that the first of the changes to the existing legislation embodied in the Bill related to the power of arrest and detention which was originally introduced to counter the threat of Irish terrorists. Because of the increasing threat to public safety posed by international terrorism, the Government had accepted Lord Jellicoe's recommendation that this power should be applied also to international terrorists.

Turning to the question of exclusion orders Mr Brittan said that although exclusion orders might, at present, be reviewed after three years there was no limit on their duration. The Government had accepted the recommendation that exclusion orders should lapse after three years and that it should be open to the Secretary of State to make a new order if necessary. Under the existing legislation a British citizen could not be excluded from a part of the United Kingdom, either Great Britain or Northern Ireland, in which he or she had been ordinarily resident for 20 years. The Government had accepted Lord Jellicoe's proposal that this qualifying period should be reduced to three years.

A further change recommended by Lord Jellicoe and incorporated in the Bill was designed to encourage more excluded persons to make use of the system under which they might make representations against exclusion. At present an excluded person could make representations within 96 hours of being served with an exclusion order and could request an interview with one of the advisers appointed by the Secretary of State. Such an interview could only be granted if the person had not yet been removed, which meant, in practice, that he or she had to remain in custody until an interview could be arranged and subsequently until a decision was reached. The Government had accepted Lord Jellicoe's recommendation that there should be an absolute right, for those in the United Kingdom and the Irish Republic, to an interview with an adviser and that the period within which representations might be made should be extended to seven days. A further provision was for the deadline for making representations to be further extended to 14 days if a person agreed to be removed from the area from which he or she was excluded.

The time limit of five years for the proposed legislation would ensure that the need for and extent of these powers would be fully considered in detail by Parliament before the end of this period.

Mr Brittan went on to say that a further group of Lord Jellicoe's recommendations was designed to ensure that people detained under the legislation would have the same rights as other detainees. The Police and Criminal Evidence Bill which he would be introducing shortly would give effect to these proposals.[1] As a result of two other matters discussed by Lord Jellicoe he was asking Her Majesty's Inspectorate of Constabulary to carry out a study of police work at ports and

[1]This Bill was given a second reading in the House of Commons on 7 November (*Hansard*, Vol 48, No 43, cols 25-111).

to consider the recommendation that passengers on commercial flights and sailings between Great Britain and Ireland should complete landing and embarkation cards.

Mr Brittan said that the previous legislation had been an asset in the battle against terrorism and he regretted that the Opposition were no longer supporting it. The Bill was similar in its essential features but incorporated important improvements largely in a liberalising direction.

Opposition Views

Mr Roy Hattersley, then the official Opposition spokesman on home affairs, said that he opposed the Bill for reasons of both principle and practice. It was wrong in principle because it proposed unacceptable erosions of civil liberties and wrong in practice because, far from destroying or even disabling terrorism, it would have the effect of antagonising and alienating law-abiding British citizens. The previous legislation was introduced in 1975 in the wake of the Birmingham pub bombings in which 21 people were killed. He had supported and accepted these measures at the time but in the intervening eight years the reason advanced for renewing the prevention of terrorism powers had changed constantly. He considered the idea of imprisoning people for up to seven days so that they might provide information for the police to be 'inconsistent with the operation of a free society'.

Mr Alex Carlile, speaking for the Liberal Party, said it was the duty of the Government to protect the public against terrorist outrages. Therefore, with grave misgivings, his party had decided that it must support the principle of the proposed legislation. They would seek changes in the Bill during its passage through Parliament, however, because they regarded some of its provisions to be more draconian than was necessary. They believed that the Act should have a life of three rather than five years, that exclusion orders should not last for more than two years and that more was needed to safeguard the rights and interests of those detained.

Main Provisions of the Bill

Under Part I of the Bill the Secretary of State will have the power to proscribe in Great Britain organisations which appear to him to be concerned in terrorism occurring in the United Kingdom and connected with Northern Irish affairs. It makes it an offence to belong to or support the activities of a proscribed organisation and to dress or to display any article in a way which suggests membership of or support for such an organisation. Schedule 1 lists the organisations which are proscribed at present: these are the Irish Republican Army and the Irish National Liberation Army. (This Part of the Bill follows closely Part I of the 1976 Act.)

Part II enables the Secretary of State to make orders excluding from Great Britain, Northern Ireland or the United Kingdom persons whom he is satisfied are or have been concerned in the commission, preparation or instigation of acts of terrorism connected with Northern Irish affairs. It introduces a three-year life for exclusion orders and reduces – from 20 years to three years – the period of ordinary residence which exempts a British citizen from this procedure. It also introduces changes to the system under which the subject of an exclusion order may make representations against the order: these include an extension from 96 hours to seven days of the period within which representations may be made (unless the person consents to removal under the order, in which case the period is extended to 14 days) and the introduction of an absolute right, for those in the United Kingdom and the Irish Republic, to an interview with an adviser nominated by the Secretary of State.

Under Part III it will be an offence to make or receive a contribution towards acts of terrorism relating to Northern Irish affairs or to withhold information about such acts committed by another person.

Part IV of the Bill relates not only to terrorist activities connected with Northern Ireland but also to international terrorism. Police powers to arrest and detain for up to 48 hours without a warrant may be applied to persons suspected of terrorist involvement. The Secretary of State is given discretion to authorise flexible periods of detention for up to a further five days, provided that the total period authorised does not exceed five days. (Under the 1976 Act the Secretary of State could only make one order authorising an extension of five days: there was no discretion to vary the period.)

The Secretary of State will be able to make an order providing for the control of entry into Great Britain and Northern Ireland and the procedure for the removal from those territories of persons excluded.

Part V contains supplementary provisions. These include: exclusion orders made under the 1976 Act and still in force shall have a life of three years from the date of the passing of the Bill; the Act would be subject to annual renewal; and the Act would have a total life of five years.

Local Government Reorganisation in London and the Metropolitan Counties

The Government's proposals for creating a more effective and economical system of local government in Greater London and the metropolitan counties through abolishing the Greater London Council and the six metropolitan county councils were published in a White Paper on 7 October.[1] If approved by Parliament these proposals would make the borough and district councils the principal tier of directly-elected local government in the metropolitan areas.

[1]*Streamlining the Cities: Government Proposals for Reorganising Local Government in Greater London and the Metropolitan Counties.* Cmnd 9063. HMSO, £3·60. ISBN 0 10 190630 7.

In a statement on the publication of the White Paper the Secretary of State for the Environment, Mr Patrick Jenkin, spoke of the Government's efforts to improve efficiency in all parts of the public sector. He said that while there had been some improvements in local government, structural change in the metropolitan areas[1] was needed to produce the most economical arrangements. There was no real role for so-called strategic authorities which had been created in the 1960s and 1970s and it was now clear that they resulted in friction and duplication; they had few functions and had sought a wider role, often in conflict with national policies. The borough and district councils were already the primary authorities in the metropolitan areas carrying out most major functions. The Government proposed that they should now become the principal tier of directly elected local government in the metropolitan areas. A small number of services – namely, the police and fire services and public transport in the metropolitan counties,[2] the fire service in London as a whole, and education in inner London – would require a statutory authority over areas wider than the boroughs and districts; these services would be run by joint boards composed of elected members from the borough and district councils responsible to the electorate of their area. The White Paper described the proposed detailed allocations of functions, the arrangements for transfer of staff and property and the financial arrangements that would be needed. The financial outcome of this change, Mr Jenkin said, depended on many decisions still to be made, mostly by the authorities taking over the functions, but the Government was determined to secure the maximum economies possible through the elimination of one tier of local government. The main legislation would be introduced in the 1984-85 session of Parliament and, subject to parliamentary approval, the transfer of functions would take place on 1 April 1986.

THE WHITE PAPER

Background

A comprehensive reorganisation of the structure of local government in London took place in 1965 when the Greater London Council (GLC) was established and in the rest of England and Wales in 1974 when the six English metropolitan counties came into being. The basic principle of these reorganisations was that a two-tier system of local government was necessary in all areas of the country. There was thought to be a need – and a worthwhile job – for two operational authorities in every area: a lower tier providing essentially local services, and an upper tier dealing with functions needing a wider area of administration.

The Government considers that the organisational structure has been effective in the shire (that is, non-metropolitan) counties, and does not therefore propose to alter the present arrangements there. In Greater London and the six metropolitan counties, on the other hand, the Government believes that the system is fundamentally unsound and has imposed heavy and unnecessary burdens on ratepayers. Whereas in shire counties the major providers of services are the county councils which on average have budgets 50 times the size of those of shire district councils and are responsible for 87 per cent of the total expenditure on local services in their areas, in metropolitan areas the position is reversed: the London borough councils and the metropolitan district councils are the major providers, and the GLC and the metropolitan county councils (MCCs) are responsible for 16 per cent and 26 per cent respectively of the total expenditure on local services in their areas. They also have relatively few functions and have sought to expand their strategic role beyond these functions, into conflict both with the boroughs and districts and with central government; moreover, they have consistently exceeded the expenditure targets set by the Government for individual local authorities as part of its policy for restraining local government expenditure and have increased their expenditure significantly more than other local authorities in England.

The abolition of these upper-tier authorities would streamline local government in the metropolitan areas. It would remove a source of conflict and tension; it would save money, after some transitional costs; and it would also provide a system which would be simpler for the public to understand, in that responsibility for virtually all local services would rest with a single authority.

The Proposed New Structure

On reorganisation, the London boroughs and metropolitan district councils would become the principal tier of directly-elected local government in these areas. The Government believes that the borough and district councils in metropolitan areas are best placed to work out amongst themselves the most appropriate arrangements for preserving the best features of the present system without unnecessary bureaucracy, and it expects authorities to co-operate in the use of specialist staff and facilities.

Functions to be Transferred to the Lower Tier

Practically all the functions now carried out by the GLC and MCCs would become the responsibility of the boroughs and districts; these would include planning, highways and traffic management, waste regulation and disposal, housing, trading standards, support for the arts, sport and historic buildings. In a small number of cases, the Government proposes to make provision from central funds to replace the contributions now made by the GLC and MCCs to certain arts institutions and organisations of national significance, while the trustees of certain national museums and art galleries would be invited to take responsibility for the channelling of central resources.

[1] The term refers to Greater London and the six metropolitan counties of Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire.

[2] The Government's proposals for the reorganisation of public transport in London have been set out in *Public Transport in London*. Cmnd 9004, see pp 273-4.

Functions Requiring Statutory Joint Arrangements

The Government proposes to create new statutory authorities (joint boards) for certain services which must continue to be provided on a county-wide basis. These comprise the police, fire and public transport services in the metropolitan counties, the fire service in London as a whole, and education in inner London.

Education in inner London is the responsibility of the Inner London Education Authority, a special committee of the GLC. The Government considers that a unitary education service administered by a single education authority offers at present the best prospect of meeting the educational needs of inner London and improving the standards and cost-effectiveness of the service. It proposes that the new single authority should be a joint board composed of elected representatives nominated by the inner London borough councils and the Common Council of the City of London.

Functions to be Transferred to Other Bodies

Land drainage and flood protection in London, including the ownership and operation of the Thames Barrier, would become the responsibility of the Thames Water Authority.

Constitution and Powers of Joint Boards

The joint boards would be composed of borough or district councillors (together with magistrates on the police authorities) nominated by their authorities. Nominations would be required to reflect as closely as practicable the party balance on the nominating authority. The total number of representatives from each borough or district would generally be in proportion to the size of the electorate in that area. Joint boards would be directly responsible for their own expenditure decisions, would have a power of precept, and would be eligible for grant.

The joint boards would be separate corporate bodies with the same powers in relation to their respective services as the existing police, fire, education and passenger transport authorities. They would also be given the general powers necessary, such as powers to employ staff, acquire land and premises, and enter into contracts.

Transfer of Staff and Property

At present the GLC, the Inner London Education Authority and the MCCs employ directly nearly 120,000 staff[1] and the MCCs are also responsible for services in which a further 70,000 staff are engaged (mainly in the passenger transport executives and the uniformed police).

The main effect for many of the staff would be only a change in their employing authority. But the Government is determined to ensure that reorganisation should result in greater value for money and reduced pressure on ratepayers, and believes that substantial staff savings could be achieved. There would be an independent Staff Commission, as in the reorganisations of 1965 and 1974, to look after the interests of the staff.

[1]Numbers given are for full-time equivalents.

On reorganisation, all property of the GLC and the MCCs would need to be transferred. The majority of property would go to the authority or board taking over the function to which it related. The Government would expect the authorities concerned to make appropriate arrangements for the shared use of property where possible.

Financial Arrangements

Entitlements to block grant, expenditure targets (if continued) and capital allocations would be adjusted to take account of the new structures. The London Rates Equalisation Scheme would be extended to ensure that there was a continued redistribution of the high rateable resources of central London.

Savings and Transitional Costs

It is not possible at present to put a figure on the savings arising from abolition, or the transitional costs. These would depend largely on the way in which the transfer of functions was achieved, and on decisions made by the successor authorities. However, the Government considers that the savings from reduced staffing levels could more than offset transitional costs, even in the first year.

The authorities which would take over GLC and MCC functions – both existing authorities and the new joint boards – would all operate within the framework of the local government finance system, including the proposed selective rate limitation scheme. In addition the Government proposes to establish a special staff monitoring scheme for the first three years after reorganisation, to provide full information about the number of staff employed by each borough and district council in the services affected by reorganisation. The precepts issued by each joint board would be subject to approval by the appropriate Secretary of State for the first three financial years and the Secretaries of State would also have power to specify levels of manpower or manpower expenditure for joint boards.

Implementation

The Government proposes to introduce the Bill providing for the abolition of the GLC and MCCs, the transfer of functions and related matters in the 1984-85 parliamentary session. Since the proposed timetable implied a comparatively short period between Royal Assent in mid-1985 and transfer of functions which would take place on 1 April 1986, the successor authorities would need to co-operate from an early stage in planning for their new responsibilities.

Elections due to be held for the GLC and each MCC in May 1985 would not be held, and existing councillors would retire at the end of their full terms of office. The borough and district councils would nominate representatives, from among their elected members, to serve on and thus constitute the GLC (including the Inner London Education Authority) and the MCCs for the transitional period between May 1985 and April 1986. Legislation introduced during the 1983-84 session would provide for these transitional councils and would

require the GLC, the MCCs and their staff to provide information necessary for the transition.

The Government has invited comments on the proposals in the White Paper by 31 January 1984, and will be initiating discussions with the authorities and other bodies directly concerned on all aspects of change.

Independent Prosecution Service for England and Wales

The establishment of a prosecution service in England and Wales independent of the police has been proposed by the Government in a White Paper, published on 27 October.[1] The White Paper also contains the report of the Interdepartmental Working Party on Prosecution Arrangements, which was asked to advise on the best organisational basis for the service.

The setting-up of an independent prosecution service was recommended by the Royal Commission on Criminal Procedure in Part II of their report published in January 1981 (see pp 29-31, 1981). The Royal Commission concluded that the present arrangements under which prosecutions are brought by or on behalf of the police were unsatisfactory in a number of respects. In particular, they lacked openness and accountability and did not make for consistency in policy and practice. Moreover, their lack of overall coherence and the division of responsibility for funding and determining expenditure did not permit the pursuit of maximum cost-effectiveness and efficiency. The Government has already accepted the Royal Commission's recommendations in principle, and intends to introduce a system which would remove the unsatisfactory features of the present arrangements. In July 1982 an interdepartmental working party was set up to advise on the organisation of such a service.

Organisation of the New Service

The Government is in favour of the working party's preference for an integrated, centrally funded, national service headed by the Director of Public Prosecutions under the general supervision of the Attorney General. In such a scheme local prosecutors, and headquarters staff, would be officers of a national prosecution service. The Government has also concluded that the rights of private prosecutors should not be restricted as recommended by the Royal Commission on Criminal Procedure.

Local Prosecutors and their Functions

Under the proposals local prosecutors would have responsibility for the conduct of criminal proceedings in all cases now prosecuted by or on behalf of the police. These prosecutors, together with the headquarters staff of the Director of Public Prosecutions, would all be officers of a single national prosecution service, controlled and directed by the Director of Public Prosecutions, and would not be subject to direction or influence by the police or any local body in deciding whether charges should proceed or be dropped or how a case should be conducted. The conduct of the case would no longer be in the hands of a solicitor who had the chief officer of police as his client and, although able to advise on whether or how the case should be pursued, was bound to proceed in accordance with the instructions he received. The investigation of criminal offences, including the initial decision whether to make a charge, would remain with the police.

Central Control

The Director of Public Prosecutions would be the head of the new service, and his present Department would form its central headquarters. The responsibilities which the Director would discharge, under the superintendence of the Attorney General, would include: the preparation and promulgation of guidance to be given by the Attorney General; decisions on prosecution in particular cases of importance or difficulty; appointments, promotions, transfers, training and other personnel matters for the service; and the central management of the finance, manpower and other resources allocated to the service. The headquarters staff of the Director of Public Prosecutions would be strengthened for the purpose of discharging these functions.

Both in taking prosecution decisions, and in matters of personnel and financial management, responsibility would be delegated to local prosecutors. The Attorney General would be answerable in Parliament for decisions or actions that he or the Director took on prosecution matters, and also for the principles applied by the prosecution service in handling particular cases. Although the Director of Public Prosecutions would be able to give the local prosecutor instructions on how any case should be handled, the great majority of prosecution decisions (including many previously reserved to the Director) would be taken locally, and it would be the responsibility of the appropriate local prosecutor to apply the general guidance given by the Attorney General to the facts of an individual case.

Local Accountability

The Government does not believe that it would be appropriate for local authorities to have control over the conduct of prosecutions under the general criminal law. It is generally agreed that in matters of prosecution policy an independent service should be required to conform to guidance given by the Attorney General. The Government therefore proposes that there should be a single line of accountability, both for decisions on cases and for the management of resources, to the Director of Public Prosecutions. Responsibility for financial control should be linked with responsibility for providing money.

[1] *An Independent Prosecution Service for England and Wales.* Cmnd 9074. HMSO, £3·60. ISBN 0 10 190740 0.

Private Prosecutions

In relation to private prosecutions and those initiated by agencies of government other than the police, requirements for the consent of the Attorney General or Director of Public Prosecutions would continue to apply.

The White Paper says that legislation giving effect to these proposals will be complex and take some time to prepare. However, the Government believes that the establishment of an independent prosecution service would promote consistency and fairness, would reduce the proportion of cases pursued despite lack of sufficient evidence, would improve the preparation and presentation of cases in court, would provide an attractive career structure, and would lead to greater efficiency and better accountability for the use of resources.

Intermediate Nuclear Forces

The British Government's agreement to the deployment of United States cruise missiles in Britain from the end of 1983 was approved by the House of Commons on 31 October by 362 votes to 218.

The debate on intermediate-range nuclear forces was on a government motion reaffirming support for the 1979 decision of the North Atlantic Treaty Organisation (NATO) to seek a negotiated arms control agreement on intermediate-range missiles with the Soviet Union and, in the absence of such an agreement, to begin deploying United States cruise and Pershing II missiles in Europe by the end of 1983 (see pp 13-14, 1980). An amendment to the government motion was put forward by the Liberal and Social Democratic parties; this, which, among other things, urged the Government to negotiate with the United States on the installation of a dual-key system of control over the launching of cruise missiles based in Britain, was defeated by 362 votes to 22.

The first cruise missiles arrived in Britain, at Greenham Common, Berkshire, on 14 November. Announcing this in the House of Commons on the same day (*Hansard*, Vol 48, No 48, cols 618-30), the Secretary of State for Defence, Mr Michael Heseltine, emphasised that this and other preparations for the operational deployment of the missiles did not in any way lessen Britain's or NATO's desire to reach an arms control agreement on intermediate-range missiles with the Soviet Union.

Secretary of State's Speech

Opening the debate on 31 October (*Hansard*, Vol 47, No 38, cols 624-716), Mr Heseltine recalled that in the mid-1970s it was possible to foresee three risks that would have to be dealt with. First, NATO's longer-range intermediate nuclear forces – the F111 bomber of the United States and the ageing Vulcan bomber of the Royal Air Force (since replaced by the shorter-range Tornado) – were limited in number and would be of declining credibility against the growing sophistication of the Soviet offensive and defensive threat to NATO aircraft. Secondly, the Soviet Union had begun to introduce the mobile, accurate SS20 missile with three nuclear warheads against which NATO had no equivalent. Thirdly, the 400 United States Poseidon warheads assigned to NATO's European command represented a sea-based intercontinental level force which the Soviet Union might perceive that the United States would be reluctant to use in circumstances short of a strategic exchange between the superpowers. Moreover, this Poseidon force had been rightly counted as a strategic weapon in the strategic arms limitation (SALT) agreements and was therefore part of the equal totals of strategic weapons allowed to the United States and the Soviet Union in those agreements.

The 1979 Modernisation Decision

Mr Heseltine said that Western European governments had been concerned that the SALT process would codify strategic parity between the Soviet Union and the United States while leaving unconstrained the Soviet nuclear threat to Europe below the strategic level. It was feared, therefore, that 'the Soviet Union might come to believe that it could attack countries in Western Europe with relative impunity while deterring the use of US "offshore" nuclear weapons by its own increasingly formidable strategic armoury held in reserve. At the very best, the weight of this Soviet advantage would have political implications for the conduct of relations between European powers and the Soviet Union.' European countries, particularly those that had renounced any nuclear capability of their own, had therefore been worried about the risk of decoupling the United States' nuclear commitment to Europe. It was against this background that NATO had decided to modernise its intermediate-range forces. This decision, however, was conditional in that it offered the Soviet Union the opportunity to remove those missile systems which NATO perceived to be a threat, in return for the abandonment of the plan for deployment of cruise and Pershing II; or, if it refused to do so, it had to face the certain consequence that NATO would begin its deployment by the end of 1983.

At the time of the December 1979 decision, Mr Heseltine continued, the Soviet Union had deployed 126 SS20s, of which 80 faced the West. That number had since increased to at least 351 missiles, two-thirds of which were targeted on Western Europe. No equivalent weapons had been deployed in Europe by NATO. Attempts to persuade the Soviet Union to control or limit its deployment had failed and negotiations between

the United States and the Soviet Union on intermediate-range nuclear missiles had only started in November 1981. Dismissing the charge that the United States was not serious on arms control negotiations, Mr Heseltine pointed out that the Soviet Union had been initially reluctant to negotiate, had falsely claimed that a balance already existed which the NATO deployment would upset, and had sought to impose preconditions in its favour by refusing to negotiate unless NATO agreed in advance to scrap its modernisation plans. It was only when it became increasingly clear that the Alliance was determined to proceed that the Soviet Union announced that it would participate in the negotiations without any preconditions. 'The lesson for the West is that we shall succeed in negotiating with the Soviet Union only if we make it clear that our unity and resolve will not be broken by threats or pressure. It is this unshakeable resolve by the West which first brought the Soviet Union to the negotiating table at the end of 1981.'

Negotiations in Geneva

Summarising the progress of the Geneva negotiations, Mr Heseltine noted that, although major obstacles still remained, some areas of disagreement had been narrowed. The West had sought to take timely initiatives which could build towards an agreement, the latest proposals having been tabled on 26 September (see p 320). These involved limitations on aircraft and a willingness to agree to reductions in both cruise and Pershing II missiles and to see a matching of Soviet deployments only in Europe. NATO was also ready to look carefully at the latest statement by the Soviet President, Mr Yuri Andropov.[1]

There had, moreover, been some progress in the negotiations, for the Soviet Union had agreed that nuclear warheads should be the proper unit of account in the discussions and had recognised that surplus missiles had to be destroyed and not merely withdrawn to the Asian part of the Soviet Union from where they could be rapidly redeployed to threaten Europe. It had also conceded the possibility of reducing the number of SS20 missiles. However, the Secretary of State emphasised, the main Soviet theme continued unaltered: 'They wish to maintain a monopoly of land-based missiles of the SS20 type. To do this, they argue that dissimilar Western systems should be counted in the balance, in particular British and French strategic systems. We will not agree to include our Polaris force in these negotiations because that system is not an intermediate-range system but a strategic system, as the Soviet Union has previously sought to argue in strategic arms control negotiations. Its inclusion together with the French strategic system, which again is not on offer, would leave the Soviets with their monopoly, and Europe with no linked American deterrent to the SS20. The Russians would then have secured the major objective of the legitimisation of their SS20 deployment without any NATO equivalent.'

Recalling NATO's 1979 decision Mr Heseltine said that members of the Alliance had then declared that for each new cruise and Pershing II warhead installed, an existing warhead would be withdrawn so that the total numbers deployed by the West would not be increased. In practice, 1,000 warheads had been withdrawn by 1980, and a further 2,000 warheads, including those required to make way for cruise and Pershing II, were to be withdrawn from NATO's nuclear stockpile.[1]

Unless an agreement could be reached at Geneva, the first operational deployment of cruise and Pershing II missiles would be achieved by 31 December 1983. This was, however, an initial, limited step in a five-year programme; 'Our plans can of course be halted, modified or reversed at any time if the results at Geneva justify it.'

Control Arrangements

Commenting on the issue of the control of cruise missiles, Mr Heseltine said that this had been considered by the Government when it had agreed in 1979 to base the missiles in Britain. After a joint review by Britain and the United States of the arrangements concerning United States nuclear forces based in Britain, the Prime Minister, Mrs Margaret Thatcher, informed the House in May (*Hansard*, Vol 42, No 114, written answers, col 435), that the effect of these arrangements, which would apply to United States cruise missiles based in Britain whether on or off their bases, would be that no nuclear weapons would be fired or launched from British territory without the agreement of the British Prime Minister. This was a categoric agreement, Mr Heseltine affirmed, adding that for 30 years every British Prime Minister had been convinced that these assurances had been absolute. 'We could not signal in advance to the Soviet Union any conditions we might seek to impose on the use of cruise missiles, because the essence of our deterrent strategy is precisely that the Soviet Union does not know what response the West might adopt.'

'A dual key in Britain', he continued, 'would not prevent the use of cruise missiles in Europe because other missiles in other basing countries could easily be substituted. Nor would we diminish the risk to Britain as a basing country because if cruise missiles were fired from another country, nothing that we said would persuade the Soviets that we might not subsequently fire missiles from this country. The essence of our policy is that the system has a deterrent value which ensures that these missiles will never be fired in any circumstances.'

Referring to the disagreements between Britain and the United States on Grenada (see p 365), Mr Heseltine pointed out that it was inconceivable in the flow of world events that such differences would not arise. In the last resort, however, both countries faced a common threat and had evolved a common defence. 'The quicker that any doubts

[1]In proposals published in *Pravda* on 26 October, President Andropov offered to reduce the number of SS20 missiles in Europe to about 140, freeze the deployment of SS20s in the Asian parts of the Soviet Union, and liquidate all other Soviet longer-range intermediate missiles in Europe provided that the United States halted the deployment of cruise and Pershing II missiles.

[1]This decision was taken by NATO defence ministers on 27 October.

about that are set aside, the clearer our deterrence will become.'

Opposition Views

The Opposition foreign affairs spokesman, Mr Denis Healey, said that for the first time missiles would be deployed in Britain without the British Government having the physical ability to prevent them from being fired. The ground-launched cruise missile, a weapon without military value, would expose the British people to an increased risk of nuclear attack, would undermine confidence in the Alliance – as it was already doing in all the countries in which deployment was proposed – and would make the prospect of disarmament far more difficult. Both sides had enough nuclear weapons to destroy the world ten times over and there was a rough equivalence between the West and the Soviet Union at both the European and world levels. Mr Healey said that there was a case for considering British and French nuclear missiles in the negotiations. If they were, NATO would still have its United States bombers, its 400 Poseidon warheads and its 162 British and French missiles. NATO needed to shift the emphasis away from reliance on nuclear weapons to conventional forces in order to deter an attack.

The Liberal Party leader, Mr David Steel, said that there were several reasons why the Government's motion could not be supported. The West had not made sufficiently strong efforts to reach agreement during the Geneva negotiations, the Government had failed to accept the principle that British and French forces had at some time to be counted in the balance, there was an absence of any dual-key system of control over cruise missiles, and there was a need for a more positive approach by the Government to secure an agreement to avoid deployment of the missiles.

The leader of the Social Democratic Party, Dr David Owen, said that it was necessary to make a specific arrangement regarding dual control over cruise missiles in order to ensure more public confidence, since once a missile was launched, it could not be returned. He also emphasised the need for NATO to continue negotiating, and for greater European unity on defence and security so that the European members of NATO could argue and talk with the United States not only as friends and allies but as equal partners.

Disarmament

The British Government's commitment to the search for security through disarmament was reaffirmed by Mr Richard Luce, Minister of State at the Foreign and Commonwealth Office, on 27 October in a speech to the United Nations General Assembly's First Committee.

Defence and Security

Mr Luce said that Britain had long been committed to a policy for defence and security which rested on the determination that its defence forces should be sufficient to meet all of its reasonable defence needs and on the search for international agreements which would diminish these needs. 'Without adequate defences, agreements on arms control will be that much harder to achieve . . . But without agreements, the maintenance of adequate defences will prove even more costly and difficult for us all.' History had shown that a policy of defence and security could and did work, Mr Luce said. Since the signing of the Antarctic Treaty in 1959 a series of arms control agreements – which had included the 1963 partial test ban treaty, the 1967 outer space treaty, the 1968 nuclear non-proliferation treaty, the 1971 seabed treaty, the 1972 biological weapons convention, and the 1972 and 1979 strategic arms agreements – had greatly strengthened the basis on which international security rested. In all these areas successive British Governments had made a full and positive contribution.

Noting that in recent years the record on arms control had been disappointing, Mr Luce stressed that the West was ready to talk and that once the Soviet Union genuinely decided to make the world safer through arms control, it would be pushing at an open door. There was a need for realistic, balanced and verifiable agreements in which both sides could have full confidence about compliance. Although the step-by-step process of putting together such international agreements might prove long and laborious, this was the best way of achieving a solid, lasting and true defence against war. 'We believe that it is only on such a basis that the future security of our world can be protected.'

Like other countries and those people in Britain campaigning for disarmament, the British Government sometimes felt frustrated at the slow progress of negotiations. It could not, however, be content with slogans, rallies and facile solutions to this sort of complex problem. 'Security has never been and will never be assured solely by good intentions. For Governments truly seeking peace the goal is enhanced security through balanced reductions in forces.' Peace could only be attained around the negotiating table. Britain was also frustrated by the failure of the Soviet Union to respond to positive moves by the West on nuclear disarmament and force reductions, moves either ignored or at best misrepresented in an attempt to achieve unbalanced disarmament at the expense of Western security.

Nuclear Freeze

Arms control measures had to contribute to greater international security, Mr Luce emphasised. The proposal for a nuclear freeze, however, did not do so because it would make the existing imbalance permanent, reward the country which had made the most advances in updating its nuclear arsenal, and penalise those which had restrained the deployment of new weapons in the 1970s. The prospects of reaching agreement on balanced reductions would not be improved if the Soviet Union achieved the foremost of its purposes, namely a total block on the North Atlantic Alliance's ability to modernise its deterrent forces. Drastic reductions in nuclear weapons – the

specific aim of the present negotiations between the United States and the Soviet Union – was by far the best solution, and it would be folly to break off these negotiations to discuss a nuclear freeze, the verification of which would take additional years to negotiate. At best the momentum in the talks on intermediate-range and strategic nuclear missiles would be lost; at worst the incentive to agree on any reductions would disappear.

Nuclear Missile Negotiations

Noting that the negotiations on intermediate-range missiles between the United States and the Soviet Union were at a crucial stage, Mr Luce expressed grave concern at the announcement on 24 October by the Soviet Union, the German Democratic Republic and Czechoslovakia of their preparations to deploy more Soviet nuclear missiles aimed at Western Europe. Britain's objective remained the elimination of all intermediate-range missiles in Europe; but if this was too far-reaching for the Soviet Union, it would support an interim agreement providing for equality between the two superpowers. The United States' proposal for this (see p 320) was evidence of a genuine effort to meet the Soviet Union's security concerns. No agreement could codify a Soviet monopoly in longer-range intermediate nuclear missiles, however, and Mr Luce urged the Soviet Union to accept an agreement which respected the West's security as well as its own.

On the strategic arms reduction talks which had resumed on 6 October, Mr Luce welcomed the United States President's introduction of a new concept (see p 320) under which more than one old warhead would be removed for every new one installed, and called on the Soviet Union to respond to this opportunity to secure significant reductions in nuclear arsenals, and in particular in the number of nuclear warheads on strategic systems.

With regard to the question of including Britain's nuclear force in these negotiations (see p 359), Mr Luce emphasised that 'if Soviet and United States strategic arsenals were to be very substantially reduced and no significant changes had occurred in Soviet defensive capabilities, [Britain] would of course want to review [its] position and to consider how best [it] could contribute to arms control in the light of the reduced threat'.

Conference on Disarmament in Europe

Describing the adoption of the Concluding Document at the Madrid follow-up Conference on Security and Co-operation in Europe (see pp 324-8) as 'one of the most hopeful events of 1983', Mr Luce underlined Britain's commitment to the Conference on Disarmament in Europe which was due to begin in Stockholm in January 1984. Britain and its allies would propose concrete measures designed to reduce tension in Europe through increased openness about the patterns of normal military behaviour. If agreed to, these would do more to reassure European countries about the intentions of their neighbours than high-sounding and almost always unverifiable declarations. 'If a state is truly peace-loving it can have nothing to lose by allowing itself to be seen to be so. Increased trust and confidence are our aim. And confidence must rest on openness.' The agreement at Madrid demonstrated that countries with dissimilar systems and ideologies could still agree on concrete measures to increase regional security, to build confidence and to reduce tension.

Chemical Weapons

Mr Luce drew attention to one key priority in disarmament negotiations, namely the need for an agreement banning the manufacture, stockpiling and use of chemical weapons. Britain shared the widespread concern about the reported use of lethal chemical weapons outside Europe and had provided assistance to the United Nations Secretary-General in his investigations of this matter. It was important that all the facts should be established, and it was therefore all the more disappointing that the Soviet Union had refused to co-operate. Britain remained committed to achieving a successful conclusion of the current negotiations in Geneva at which it had made important proposals concerning verification (see p 126-7). 'The abolition of these obnoxious weapons will be a major gain for the people of our world, civilian and military alike. It is a prize to be seized, and seized soon.'

Outer Space

Turning to arms control in space, Mr Luce said that while some military developments in space could have a positive effect on international security, the use of satellites to monitor arms control agreements being a case in point, this was no excuse for ignoring obvious opportunities for agreements enhancing security. Britain would pursue these and hoped that the United Nations Committee on Disarmament would take up recent Western proposals on the subject, and that the Soviet Union and its allies would withdraw their objections to these so that work on them could proceed.

Conventional Forces

While it was natural that the international debate on disarmament should focus on nuclear issues, the vital need to constrain conventional forces could not be ignored. Britain would continue its efforts to seek reductions in conventional forces at the Vienna negotiations concerning mutual and balanced force reductions in Europe, and would aim for an agreement that would be balanced and verifiable. 'We must therefore continue to insist that the number of forces on both sides are agreed prior to reductions, and that these will be reduced in a manner that can be properly verified.'

Disarmament also had to cover all parts of the world and all types of weapons and Britain would therefore continue to help the United Nations exercise on the reduction of military expenditures and was ready to work for a speedy conclusion to the Secretary-General's study on conventional arms.

UK-Irish Talks

In talks held at Chequers on 7 November between the Prime Minister, Mrs Margaret Thatcher, and the Taoiseach of the Irish Republic, Dr Garret FitzGerald, the two heads of Government discussed current issues in relations between the United Kingdom and the Irish Republic and considered a joint report reviewing co-operation between the two countries over the past two years. They also exchanged views on a range of international issues.

Communiqué

The following communiqué was issued after the meeting.

1 The Prime Minister, the Right Honourable Margaret Thatcher, FRS, MP, and the Taoiseach, Dr Garret FitzGerald, TD, met at Chequers today in the first meeting of the Anglo-Irish Inter-Governmental Council to be held at the level of heads of Government. The Prime Minister was accompanied by the Foreign and Commonwealth Secretary, the Right Honourable Sir Geoffrey Howe, QC, MP, and the Secretary of State for Northern Ireland, the Right Honourable James Prior, MP. The Taoiseach was accompanied by the Tanaiste, Mr Dick Spring, TD, and the Minister for Foreign Affairs, Mr Peter Barry, TD.

2 They recalled the joint communiqué issued after their meeting of 6 November 1981, which announced the setting-up of the Anglo-Irish Inter-Governmental Council [see pp 318-20, 1981], *and which they agreed formed the framework for the continuing development of the relationship between their two governments.*

3 The two heads of Government discussed current issues in Anglo-Irish relations including the situation in Northern Ireland. They expressed their deep concern about continuing violence and their joint determination to take all possible means to end it. The Taoiseach briefed the Prime Minister in relation to the work of the New Ireland Forum.[1]

4 They reviewed the state of work in the Anglo-Irish Inter-Governmental Council at both ministerial and official levels. In this connection they considered a joint report reviewing co-operation between the two countries since the publication of the Anglo-Irish joint studies in November 1981. They approved this report which deals with institutional structures, citizenship rights, security matters, economic co-operation and measures to encourage mutual understanding. They agreed that the report, with the exception of the section on security matters, should be issued as an annex to this communiqué.

5 They welcomed the recent establishment of the Encounter organisation which they believe will contribute to the improvement of relations between their peoples in the interests of peace, reconciliation and stability [see p 252].

[1]The New Ireland Forum, composed of delegates of the three main political parties in the Irish Republic and the Social Democratic and Labour Party in Northern Ireland, met in Dublin for the first time in May 1983 to discuss the future structure of Ireland. It is expected to report early in 1984.

6 They welcomed the satisfactory conclusion of negotiations for the supply of Kinsale gas to Northern Ireland [see pp 386-7].

7 The two heads of Government also discussed a wide range of international issues. In particular, they reviewed the main issues current in the Community discussions, notably the future financing of the Community, the Community budget, the Common Agricultural Policy and the enlargement of the Community.

8 They looked forward to further meetings of the Anglo-Irish Inter-Governmental Council at heads of Government level at regular intervals.

The report *Anglo-Irish Joint Studies: Review of Activities since November 1981* referred to in this communiqué will be summarised in the next issue of *Survey of Current Affairs*.

Grenada

Britain has expressed serious reservations about the military intervention in Grenada by the United States and some Caribbean countries. It recognises, however, that the operation was undertaken to restore democratic government and the rule of law in the island, and hopes that this, together with the early withdrawal of the intervening forces, can be achieved as soon as possible.

Grenada, a British dependency until 1967 when it became a self-governing state in association with Britain (see p 368), became independent and a member of the Commonwealth in 1974. The Head of State is the Queen who is represented in the island by a Governor-General whose responsibilities are defined in Grenadian law and who has no links with the British Government. The present Governor-General is Sir Paul Scoon, a Grenadian national.

DEVELOPMENTS SINCE INDEPENDENCE

On independence Grenada became a parliamentary democracy and a constitutional monarchy. Under Article 57 of the independence constitution the executive authority in Grenada was vested in the Queen, this being exercised on her behalf by the Governor-General either directly or through officers subordinate to him. The House of Representatives consisted of 15 members elected in single-member constituencies by universal adult suffrage and the 13 members of the Senate were appointed by the Governor-General – seven on the advice of the Prime Minister, three on the advice of the Leader of the Opposition and three on the advice of the Prime Minister after he had consulted certain organisations and interests. The Governor-General also appointed the Prime Minister, the member of the elected House of Representatives likely to command the support of the majority of its members, and the ministers on the basis of advice from the Prime Minister.

The constitution also empowered the Governor-General to remove the Prime Minister from office if a resolution of no confidence in the Government was passed by the House and if the Prime Minister did not within three days of the vote either resign or advise a dissolution of Parliament. This power also applied to circumstances in which the Prime Minister was unable to command the support of members of the House in the period between the holding of a general election and the date on which the House reconvened. In the exercise of these powers the Governor-General could act 'in his own deliberate judgment'.

1979 Coup

Mr (later Sir) Eric Gairy, leader of the Grenada United Labour Party and Premier of Grenada before independence, became the country's first Prime Minister in February 1974. At that time, the Grenada United Labour Party held 13 of the 15 seats in the House of Representatives. In 1976 Sir Eric was returned to power with a reduced majority, though some of his political opponents, some of whom were members of the New Jewel Movement formed in 1971, accused him of rigging the elections and also of personal corruption and intimidation of critics. Sir Eric governed Grenada until March 1979 when he was overthrown in a *coup d'état* mounted by the New Jewel Movement led by Mr Maurice Bishop, a Marxist. A People's Revolutionary Government was set up, the 1973 constitution being suspended, but not abolished, and replaced by the promulgation of 'people's laws'.

In a Declaration of the Grenada Revolution, the new regime promised a return to constitutional rule at an early opportunity and to appoint a consultative assembly to establish a new constitution designed to reflect the wishes and aspirations of all the people of Grenada. The Queen remained head of State, one of the people's laws stating that the Governor-General would remain her representative and that he would 'perform such functions as the People's Revolutionary Government may from time to time advise'. Mr Bishop became the new Prime Minister.

From the beginning Mr Bishop and his colleagues established close relations with Cuba, which provided aid and other practical assistance to the new regime, one of whose projects was the building of an international airport at Point Salines designed, it said, to encourage tourism. The civil construction was entrusted largely to hundreds of Cuban workers who remained present in Grenada until the military intervention; the British firm, Plessey, was given the contract for the installation of telecommunications and navigational equipment. The European Community provided minor resources for training airport technicians. Britain promptly recognised Mr Bishop's government but its relations with it were less close than with other Caribbean states because of the suspension of the constitution, the failure to hold elections, the detention of political opponents and the adoption of a foreign policy hostile to Britain and its allies. The United States was concerned about the possible security implications of the new airport and was critical of Mr Bishop's strategy of development on the grounds that it was based upon the Cuban model.

1983 Coup

On 13 October 1983 Mr Bishop was replaced by his deputy, Mr Bernard Coard, a more radical Marxist. After several days of confusion a revolutionary military council was set up on 18 October under the chairmanship of General Hudson Austin. In the mean time Mr Bishop had been placed under house arrest and on 19 October, after being freed by a mass demonstration of Grenadians, was recaptured and shot dead along with several other Cabinet ministers, political leaders and other people. A 24-hour curfew was imposed.

On 20 October General Austin called upon the Governor-General, Sir Paul Scoon, informed him that the revolutionary military council was in control, and stated his intention to form a new Cabinet. On the same day the Foreign and Commonwealth Office informed the Grenadian High Commissioner in London of Britain's concern about the safety of the British community.

Events leading to Military Intervention

On 21 October the British High Commissioner in Barbados learned that some Caribbean heads of Government were pressing their colleagues in the Caribbean Community[1] to ask for military help in restoring constitutional government in Grenada. The British Government then instructed its ambassador in Washington to ascertain how the United States might respond to such an approach.

On the next day Britain was informed that heads of Government of the Organisation of Eastern Caribbean States (OECS)[2] had decided to put together a multinational force and to call upon friendly governments to help restore peace and order in Grenada. Later that evening the United States informed Britain that a request for help in achieving this objective had been received from the eastern Caribbean states but that no decision had been taken by the United States Government on how to respond.

On 23 October the British High Commission in Barbados was informed that a formal request for British participation in a multinational force would be handed over later that day. Although this did not happen Britain did receive later that day the conclusions of a meeting held in Trinidad at which all Commonwealth Caribbean countries, though remaining divided about the desirability of military action, decided in favour of political and economic measures against Grenada. On the same day the United States told Britain that it would be consulted immediately if any action were taken, and that a United States emissary had been sent to Barbados to confer with Caribbean leaders.

[1]The Caribbean Community and Common Market was formed in 1973, its main purpose being to encourage economic integration in the area. Its members are Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago.

[2]Formed in 1981, the OECS consists of Antigua and Barbuda, Dominica, Grenada, Saint Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Montserrat. Montserrat, a British dependency, did not take part in the operation.

Throughout this period the resident representative in Grenada of the British High Commission in Barbados maintained contact with the British community and, on 23 October, the Deputy High Commissioner visited Grenada to make contact with the new authorities and to speak with the Governor-General. As Britain's Foreign and Commonwealth Secretary, Sir Geoffrey Howe, told the House of Commons on 24 October, the Deputy High Commissioner 'found the island calm but tense and confirmed that neither the Governor-General nor members of the British community appeared to be in any imminent danger'. Since the situation remained extremely volatile, however, the Government instructed HMS *Antrim* to sail to the vicinity of Grenada purely as a precautionary move in case the evacuation of British nationals proved necessary.

(Interviewed on 31 October on the BBC television programme *Panorama*, Sir Paul Scoon said that it was on the evening of 23 October that he decided to ask the OECS and the United States, but not Britain, for help, doing so because of the deteriorating situation and in response to requests from many responsible people in Grenada.)

On 24 October British ministers met to consider the latest developments and, after the meeting, the British ambassador in Washington was instructed to put to the United States Government certain factors for it to weigh before any decision was taken. That evening the British Government received the text of a statement of OECS members informing it of their intention of taking action for the collective defence and preservation of peace and security against external aggression and requesting assistance from friendly governments. Around the same time the United States President, Mr Ronald Reagan, told the British Prime Minister, Mrs Margaret Thatcher, that he was giving serious consideration to the OECS request and that he would welcome her thoughts. While the British Government was considering a reply, it received a second message from Mr Reagan saying that he had decided to respond positively to the request. Shortly after midnight on 25 October, Mrs Thatcher replied to Mr Reagan reiterating the considerations put to the United States the previous day and expressing concern at the course of action that he was contemplating. Early on the morning of 25 October Mrs Thatcher received a message from Mr Reagan informing her that he had weighed the issues raised by her very carefully but had decided that United States participation in the multinational force should go ahead.

The Intervention

On 25 October United States forces and those from six Caribbean countries landed on Grenada. Announcing details, President Reagan told a press conference that on 23 October the United States had received an urgent, formal request from OECS members to assist in a joint effort to restore order and democracy in Grenada. The United States had acceded to the request to become part of a multinational effort with contingents from Antigua and Barbuda, Barbados, Dominica, Jamaica, Saint Lucia, and Saint Vincent and the Grenadines. Both Barbados and Jamaica, separately approached, had agreed to join the undertaking and had joined with the other states in asking for United States participation.

Mr Reagan said that the action had been taken for three reasons, namely, to protect innocent lives including up to 1,000 Americans, to forestall further chaos, and to assist in the restoration of conditions of law and order and of governmental institutions. Reports had been received that a large number of United States citizens were seeking to escape from the island and, after receiving the request for help from neighbouring countries, he had concluded that the United States had no choice but to act sharply and decisively.

In a statement released on 25 October, the OECS members said that, after the overthrow of Mr Bishop, they were concerned that the situation on Grenada would worsen and that there would be further loss of life and a general deterioration in public order as the military group in control attempted to secure its position. The extensive military build-up in Grenada over the last few years had also posed a serious threat to the security of neighbouring states. Under the provision of Article 8 of the treaty establishing the OECS, they had decided to take action and to seek assistance from friendly countries. It was the intention of member governments that, once the threat had been removed, the Governor-General of Grenada would be invited to assume executive authority of the country under the provisions of the 1973 Grenada constitution and to appoint a broad-based interim government to administer the country pending the holding of general elections.

In a television address broadcast to the people of the United States on 27 October, Mr Reagan said that the Grenadian airport being built with Cuban assistance 'looked suspiciously suitable for military aircraft including Soviet-built, long-range bombers' and that the Cubans working on the airport were a military force. The United States had discovered 'a complete base with weapons and communications equipment', Grenada having become a Soviet-Cuban colony 'being readied as a major military bastion to export terror and undermine democracy'. United States forces had got there just in time. The President said that it was his intention that the United States forces should leave as soon as possible and he anticipated that the Governor-General would participate in the setting up of a provisional interim government in Grenada.

On 25 October the two airports on the island were quickly secured by the United States forces as was the campus of the St George's Medical School where hundreds of United States nationals were studying. There was some fierce but short-lived resistance from the Cubans and from some members of the People's Revolutionary Army. On 2 November the United States Defence Secretary, Mr Caspar Weinberger, announced the ending of all hostilities in Grenada and on the next day a withdrawal of about half the 6,000 troops used began.

Subsequent Developments

In a radio broadcast to the Grenadian people on 29 October, Sir Paul Scoon, said that he had been deeply saddened by the tragic events leading up to the deaths of Mr Bishop, three of his Cabinet colleagues, and other men, women and children. The killing of Mr Bishop and the subsequent control of Grenada by the People's Revolutionary Army had so horrified Grenada, the entire Caribbean, the Commonwealth and beyond, that certain Caribbean states with the support of the United States had come to Grenada's aid in the restoration of law and order. Although intervention by foreign troops was the last thing that any country would want, the people of Grenada had welcomed the presence of these troops 'as a positive and decisive step forward in the restoration not only of peace and order but also of full sovereignty'. Sir Paul thanked the countries involved for coming to Grenada's assistance and called upon the Grenadian people to give full co-operation to the peacekeeping force in their country.

On 9 November Sir Paul named an advisory council consisting of nine Grenadians, its purpose being to assist him in the running of a non-political interim administration pending the organisation of elections. Its chairman is to be Mr Alister McIntyre, currently Deputy Secretary General of the United Nations Committee on Trade and Development.

Grenada has broken off diplomatic relations with the Soviet Union and all but one of the Cuban diplomats have left the island. Other Cubans on the island are being returned to Cuba.

BRITAIN'S VIEWS

Britain's reservations about the military intervention were expressed by the Prime Minister and the Foreign and Commonwealth Secretary in the House of Commons and in radio and television interviews.

Appearing in a 'phone-in' radio programme broadcast by the BBC World Service on 30 October, Mrs Thatcher said that, although as a general rule Western democracies were prepared to use force to defend their way of life, they did not use it to walk into an independent territory. The rule against doing so was not an inviolate one, but before deciding to go into an independent sovereign country a government had to be absolutely certain that it had no choice. Over Grenada, it was clear that the eastern Caribbean states, Jamaica, Barbados and the United States President had taken one view and some of the other Caribbean countries had taken another. Under those circumstances Britain had counselled caution before an irrevocable decision was taken to cross into the territory of an independent sovereign country.

Mrs Thatcher said that the developments concerning Grenada had no parallel with those concerning the Falkland Islands in 1982. The Falkland Islands were British territory which had been invaded by a foreign power, and which Britain had fought to regain and thereby enable the British inhabitants to live in accordance with their wishes. In contrast, Grenada was an independent sovereign territory which had not been invaded. Emphasising her opposition to Communism and terrorism, Mrs Thatcher added that if the United States were to enter every country where Communism reigned against the wishes of the people, terrible wars would result.

In a television interview on the same day, Sir Geoffrey Howe recalled that Britain had had a Royal Navy ship in the vicinity to protect British lives and that British representatives had been on Grenada on 23 October. On the basis of advice given it, the Government had concluded that no intervention was necessary. Commenting on the presence of Cubans and Russians on Grenada, and whether this could justify military intervention, Sir Geoffrey said Britain did not share the view taken by the United States Government. The presence of Cubans and Russians could be discovered in many other parts of the world. 'But if they are in those independent countries as a result of the invitation, however misguided, of the governments concerned, however unwelcome their presence, that does not in itself provide a justification for invasion.' Now that the invasion had taken place, Sir Geoffrey added, Britain wanted a successful conclusion, by which he meant 'the withdrawal of outside forces as soon as reasonably possible, and the establishment of arrangements for democratic government to be restored'.

With regard to the diplomatic exchanges between Britain and the United States prior to the invasion, Sir Geoffrey said that the latter had been alerted to Britain's anxieties as soon as the possibility of intervention had arisen. While the British Government had then received reports on the position of the United States Government, it had not, in the last hours before the decision to intervene was taken, been given the opportunity of consultation of the type it would have wished. Subsequently the United States had appreciated that Britain's complaint had been a legitimate one. Emphasising that the interests of Britain and the United States in the defence of democratic freedoms were absolutely identical, Sir Geoffrey said that the way both countries judged it right to defend those interests was likely to differ sometimes.

Parliamentary Debate

Foreign and Commonwealth Secretary's Speech

In a special debate on Grenada held in the House of Commons on 26 October (*Hansard*, Vol 47, No 35, cols 293-333), Sir Geoffrey Howe, after outlining the events leading up to the military intervention (see p 364-4), said that prior to the invasion Britain had directed the attention of the United States Administration to certain factors that needed to be taken into account. These included the safety of the British community, the position of the Governor-General, and the fact that the countries of the Commonwealth Caribbean, although agreed on the need for political and economic measures, were divided on the advisability of military intervention. 'The United Kingdom and a number of other Commonwealth Caribbean countries took the view that no such

action was called for. The situation was such that the United States and some Commonwealth countries in the Caribbean took the other view of the risk to which their citizens were exposed in Grenada.'

Sir Geoffrey pointed out that Britain did not agree with the United States on every issue and was not expected to do so. 'On some issues, our perceptions and those of the Americans are bound to be different. In this case the United States had particular reason to consult most closely with those Caribbean countries that had called on it to help resolve the crisis. Nevertheless, the extent of the consultation with us was regrettably less than we would have wished.' Events in Grenada, however, could not be allowed to weaken the essential fabric of Britain's alliance with the United States. 'It does not, and must not be allowed to, pass any doubt on the firmness of our joint commitment to the North Atlantic Treaty Organisation and all that that means.' Moreover, it was not helpful to condemn the conduct of the United States when operations to restore democracy in Grenada were still under way.

Noting that several independent Caribbean states had joined the United States in its intervention, Sir Geoffrey said that, although they enjoyed full independence, the islands of the Caribbean had a high degree of mutual dependence and attached great importance to the consolidation of democratic processes throughout the region. 'The breakdown of constitutional government, the rule of law and public safety in one of their members was perceived as a dangerous disruption by a country in the immediate vicinity.' Moreover, the Caribbean countries that had intervened had nationals of their own on Grenada and Grenadians were living in their islands. These countries were 'well placed to assist the Grenadians to restore and set up the necessary machinery to ensure an early return to constitutionality and democracy'.

The United States, concluded Sir Geoffrey, had made plain its wish to withdraw from Grenada at the earliest reasonable opportunity and Britain wanted a speedy and successful outcome that would quickly pave the way for genuine elections in Grenada for the first time in many years. Britain would remain in touch with its Commonwealth partners and welcomed the willingness of the Commonwealth Secretary-General to help towards the objective of restoring democracy and constitutional government.

Opposition Views

The Opposition foreign affairs spokesman, Mr Denis Healey, said that the invasion of Grenada was a violation of the United Nations Charter, had split the Commonwealth countries of the Caribbean, and had raised fundamental questions about relations between Britain and its most important ally. The Government needed to insist on the immediate withdrawal of all foreign troops from Grenada and to make clear its condemnation of the invasion. 'If governments arrogate to themselves the right to change the governments of other sovereign states, there can be no peace in this world in perhaps the most dangerous age which the human race has ever known.' President Reagan had broken the post-war diplomatic tradition of all governments in the United States by abandoning reliance on co-operation and consensus with his allies. The invasion of Grenada had been a catastrophic blunder and Mr Healey criticised the Government for failing to prevent it.

The leader of the Liberal Party, Mr David Steel, said that the reasons given by the United States Government for its actions were not validated by international law or by the United Nations Charter. There was no rule of international law which allowed the big powers to establish friendly governments in the small countries of the world by imposing democracy at bayonet point. Mr Steel recalled that in 1974 criticism had been expressed on both sides of the House that fair elections had not been assured prior to Grenada's independence. These doubts had been justified by the fact that the Gairy regime had later become extremely corrupt and violent. If Britain and the United States valued liberal democracy, totalitarian tendencies of both the left and the right had to be resisted; the process of encouraging liberal democracy was not assisted by the support of anti-Communist dictatorships or military regimes in Latin America.

Government Reply

Replying for the Government, Sir Geoffrey Howe said that a state had the right in international law to take appropriate action to safeguard the lives of its citizens where there was a breakdown in law and order, and that there was no provision in the United Nations Charter that made it unlawful to take such action. Although these were the considerations that the United States and those acting with it had in mind, Britain had taken a different view of the circumstances applicable to this case.

Sir Geoffrey said that the action had been taken to initiate and carry through a process for restoring the prospect for democracy in a Commonwealth country. 'It would not serve the prospect of restoring democracy in Grenada if we were now to urge the withdrawal of forces engaged in that process.'

Concluding, the Foreign and Commonwealth Secretary opposed the view that President Reagan had broken with the post-war tradition of acting in concert with allies. 'As has been said in this debate, there have been differences in the past between the views taken by the Allies, and there have been differences between the views taken by the United States and Great Britain. There have been such differences, and there will be such differences again, because they are inevitable in any alliance. It is an inevitable feature because the North Atlantic Alliance is one of free states committed, among other things, to defend their right to disagree with one another.'

Future of Grenada

The Government's views on the future of Grenada and assistance to the island were set out by Sir Geoffrey Howe in the House of Commons during a foreign affairs debate on 3 November (*Hansard*, Vol 47, No 41, cols 1012-90).

Noting that the Governor-General was safe and

well, Sir Geoffrey emphasised that he was the representative of the Queen as the head of State of Grenada and not the representative of the British Government. Powers delegated to the Governor-General gave him the authority to take certain actions in the present vacuum and he was taking steps to assemble a small team of responsible officials to assist him in securing the resumption of civilian administration. Britain would be glad to give all possible help in that process either by itself or in conjunction with others, especially its partners in the Commonwealth. The interim administration would face major tasks, notably the organisation of free and fair elections and the putting in hand of the reconstruction of Grenada's economy. The elections had to be properly organised and supervised if they were to be free, fair and above reproach. Britain would do all it could to help.

The restoration of peace and security to the island was essential if Grenada was to return to normal democratic life. Observing that Commonwealth assistance with an interim security force and with policing had been suggested, Sir Geoffrey said that he had seen the Commonwealth Secretary-General twice in the last few days and that Britain was in close touch with Commonwealth missions at the United Nations in New York and with the Governor-General. 'It will be important for any such security force to have a properly constituted structure of command, clear objectives and a time frame within which its mission must be accomplished. If it is to operate effectively it will also, of course, need the active support of the interim administration of Grenada and of other states of the Caribbean. Let me make it plain that we shall want to respond positively to requests for help in this field.'

On reconstruction and economic development, Sir Geoffrey said that the Governor-General had welcomed an offer by Britain to send a high level team of advisers, including aid experts, to assess the position and make proposals. This was expected to arrive in Grenada on 4 November. In addition the Governor-General had welcomed a decision by Britain to resume bilateral aid to Grenada involving capital assistance and technical co-operation.

Commenting on the difficulties of dealing effectively with the likely consequences of a bloody coup such as the one in Grenada, Sir Geoffrey said that this event had highlighted a particular problem affecting small independent states. 'They are peculiarly vulnerable to small bands of determined people who want power and are prepared to do anything to get it. The question whether more could be done to provide security to small nations is one to which further thought should properly be given. I intend to follow this up with our friends in the Commonwealth and elsewhere.'

SECURITY COUNCIL DEBATE

Following the military intervention, the United Nations Security Council met on 25 October to consider the issue in response to an immediate request from Nicaragua. On 28 October, the Council voted on a draft resolution prepared by Guyana, Nicaragua and Zimbabwe which deeply deplored both the events leading to the killing of Mr Bishop and other prominent Grenadians and the armed intervention, the latter being described as a flagrant violation of international law and of Grenada's sovereignty. It called for an immediate withdrawal of foreign troops from the island and for all states to show the strictest respect for Grenada's sovereignty, independence and territorial integrity. The resolution was supported by 11 countries (France, the Netherlands, the Soviet Union, Poland, Malta, Pakistan, Guyana, Zimbabwe, the People's Republic of China, Nicaragua and Jordan), but was not adopted by the Council because the United States, with the power of veto, voted against. Britain, Zaïre and Togo abstained.[1]

British Statement

After referring to the serious doubts that Britain had had concerning the action taken to meet the crisis in Grenada, Britain's permanent representative, Sir John Thomson, told the Council on 27 October that the common aim of the United Nations should now be the emergence of a constitutional government based on the exercise of self-determination by the Grenadian people. The murder of Mr Bishop and other members of the Grenadian Cabinet had led to an atmosphere of uncertainty and even terror on the island. 'Indeed it seems possible that Mr Bishop was assassinated because he and some of his colleagues were moving, not before time, in the direction of holding elections.' Internal events on Grenada 'had created a situation which led to terror in the island and fear in the region and which gave legitimate ground for concern to many governments especially those with nationals on the island'. Britain had urged prudence and caution and had not supported the military operation. Nevertheless, it had understood the concerns of those who had taken action, and the suggestion that the United States was a foe to liberty and democracy was simply ridiculous. The Caribbean states involved in the Grenada operation were fellow members of the Commonwealth and their motives had been honourable. 'In a world where all too often we are faced with movements, coups and regimes which act against liberty and in contravention of the inherent right of self-determination, these are democratic governments, freely elected, and representing people who enjoy liberties that have been suppressed in many other countries.' Britain fully shared the stated objective of restoring democratic and constitutional government to the island.

Concluding, Sir John said that Britain could not support a resolution which did not take adequate account of the concerns motivating the eastern Caribbean states, Jamaica, Barbados, and the United States. 'It should be the aim of the Security Council to consider ways in which our common aim of the emergence of constitutional Grenadian

[1] On 2 November the General Assembly passed a resolution deploring the intervention and demanding the immediate withdrawal of foreign troops from Grenada. The resolution received 108 votes with 9 against. Britain was among the 27 countnes which abstained.

government freely elected by the Grenadian people can be promoted. It is not for us to tell the Grenadian people how to run their affairs. But I believe we can legitimately give encouragement to the forces of constitutionality and to the right of self-determination.'

United States View

Speaking on 27 October the United States representative, Mrs Jeane Kirkpatrick, said that the prohibitions against the use of force in the United Nations Charter were contextual and not absolute and they provided ample justification for the use of force against force in pursuit of such objectives as freedom, democracy and peace. 'The Charter does not require that peoples submit supinely to terror, nor that their neighbours be indifferent to their terrorisation.' The intrusion of force into Grenadian public life had begun in 1979 when a corrupt but elected government had been overthrown in a coup. The new government had declined to submit itself to free elections and had later succumbed to superior force when Mr Bishop and other ministers had been murdered.

Mrs Kirkpatrick said that the United States had responded to the request from the eastern Caribbean states because of the danger to the 1,000 United States citizens on the island. In the circumstances of anarchy prevailing in Grenada, international law permitted military action to protect endangered nationals. In addition, the massive build-up of arms and material on the island 'had become capable of gravely affecting the security of the entire Caribbean region'.

The eastern Caribbean states had been spurred to action because as a result of the murder of Mr Bishop and almost his entire Cabinet 'the military power which Grenada had amassed with Cuban and Soviet backing had fallen into the hands of individuals who could reasonably be expected to wield that awesome power against its neighbours'. Moreover, the Governor-General of Grenada, the sole remaining symbol of governmental authority on the island, had invited action by the eastern Caribbean states. In the context of these very unusual circumstances 'the United States decided to accede to the request of the Organisation of Eastern Caribbean States for aiding its collective efforts aimed at securing peace and stability in the Caribbean region'.

HISTORICAL BACKGROUND

Grenada, the most southerly of the Windward Islands in the eastern Caribbean, was discovered by Columbus during his third voyage in 1498. The first intending European settlers, sent out by a company of London merchants in 1609, were driven back by the Carib Indian inhabitants of the island. Later a French settlement was founded and Grenada remained in French hands until 1762 when it was captured by Britain in the course of the Seven Years War. Although the 1763 Treaty of Paris formally ceded Grenada to Britain the French again won control between 1779 and 1783. Grenada was restored to Britain in 1783 by the Treaty of Versailles and remained a British possession until the end of the colonial era. In 1833 Grenada became part of the Windward Islands Administration and remained so until June 1958 when it became a separate unit of the Federation of the West Indies.

Moves Towards Independence

In 1962 the Federation was dissolved and, following the breakdown of discussions concerning the formation of a smaller eastern Caribbean federation, the British Government offered to Grenada and five other eastern Caribbean territories (Antigua, Dominica, Saint Kitts-Nevis-Anguilla, Saint Lucia and Saint Vincent) a new relationship as internally self-governing states in association with Britain which would retain responsibility for their defence and external affairs. In 1967 Grenada and four other states assumed Associated Statehood, Saint Vincent following in 1969. Grenada's new constitution, introduced on 3 March 1967, provided for a Governor appointed by the Queen, a Cabinet, a Senate, an elected House of Representatives and safeguards for fundamental rights and freedoms.

Under the West Indies Act 1967 the association with Britain, a free and voluntary arrangement, could be terminated either by British legislation or by Grenadian legislation, the latter on condition that it received the support of two-thirds of the members of the House of Representatives, followed by two-thirds of the votes in a referendum. The Grenada Government chose to request termination by British legislation, a course that was later followed by the other Associated States.

The early attainment of independence was put forward as an objective by the Grenada United Labour Party at the elections of February 1972 in which the party won 13 of the 15 seats in the House of Representatives. Talks on the issue, requested by the Grenada Government, were held in London in October 1972, and were attended by the Premier, Mr (later Sir) Eric Gairy, and the leader of the Opposition Grenada National Party, Mr Herbert Blaize, who agreed with the principle of independence but expressed reservations about methods and timing. A constitutional conference took place in London in May 1973 attended by Mr Gairy and Mr Blaize. General agreement was reached on the terms of a constitution similar to that of 1967.

In October 1973 the Grenada Senate and the House of Representatives signified their request for, and consent to, the making by the Queen of an Order in Council altering Grenada's constitution. Voting was unanimous both for the 'request and consent' resolution and for the draft constitution. Britain therefore decided to confer independence, and an Order in Council terminating the association was laid before Parliament, and signed by the Queen, in December. Grenada became independent on 7 February 1974, the first of the six Associated States to assume this status. Independence for the other five followed in the late 1970s and early 1980s, the most recent and final example being Saint Christopher and Nevis which became independent in 1983 (see p 303-4).

Lebanon

Following two bomb attacks in Beirut on 23 October in which some 300 American and French members of the Multinational Peacekeeping Force were killed and many more wounded, Britain's continuing commitment to the Force as a positive and helpful contribution to the search for national reconciliation in Lebanon was reaffirmed in Parliament by the Foreign and Commonwealth Secretary, Sir Geoffrey Howe.

Background

The Multinational Force, consisting of about 2,100 Italian, 2,000 French, 1,600 United States and 97 British personnel, has been in Beirut since September 1982 (the British contingent having joined in February 1983), when the Lebanese President, Mr Amin Gemayel, requested its presence in order to assist the Government to restore its authority and promote stability in the country. This followed Israel's invasion in June 1982, the withdrawal from Beirut of the Palestine Liberation Organisation forces (see pp 285-6, 1982), and the subsequent assassination of the President-elect, Mr Bashir Gemayel, which led to a breakdown in law and order culminating in the massacres at the Sabra and Chatila refugee camps (see pp 316-18, 1982).

Sporadic incidents continued throughout 1983. On 18 April the United States Embassy in Beirut was bombed with the loss of 63 lives, 17 of them American. A withdrawal agreement signed between Israel and Lebanon in May was only partially implemented on 4 September when Israel pulled back south to the Awali river. This precipitated a further and more serious outbreak of fighting between Druze Muslim forces and Christian militias and subsequently between the Druze and the Lebanese army, and elements of the Multinational Force found themselves involved in exchanges of fire which resulted in several deaths. France and the United States both provided naval support for their contingents, while Britain deployed six Buccaneer aircraft in Cyprus to protect its members of the Force.

A ceasefire which came into effect on 26 September provided for a quadripartite Ceasefire Security Committee composed of representatives of the Lebanese army, the Christian militias, the Druze, and the AMAL Shi'ite militia. This has since met almost daily. At the same time efforts to bring the parties together involving the then United States Special Envoy, Mr Robert McFarlane, continued. These culminated in the opening in Geneva on 31 October of a National Reconciliation Conference under the chairmanship of the Lebanese President, Mr Amin Gemayel, and attended by eight Lebanese leaders representing the main political and religious groupings. Syria and Saudi Arabia were also present as observers.

On 23 October a truck carrying some 900 kilogrammes of explosives crashed through a series of barriers surrounding the United States marine battalion headquarters near Beirut airport, smashed through the doors of the headquarters building and exploded, reducing it to rubble. At almost the same time, another terrorist vehicle, also loaded with explosives, crashed into the headquarters of the French contingent, which collapsed in the explosion. More than 60 French and 235 American personnel were killed and scores wounded. (A third, identically staged attack took place on the Israeli military headquarters in Tyre on 4 November, when more than 70 people were killed or wounded. Israel responded with bombing raids on 'terrorist' positions in the Chouf mountains.)

In a statement issued on 27 October, foreign ministers of the four nations contributing to the Multinational Force, meeting in Paris, paid tribute to the dead and reiterated their support, and that of their peoples, for the Force within the principles that had determined its establishment 14 months previously.

Foreign Secretary's Statement

Referring to the two bomb attacks, Sir Geoffrey Howe told the House of Commons on 24 October (*Hansard*, Vol 47, No 33, cols 31-8) that Britain condemned without qualification those responsible. Britain had offered all possible help in the evacuation and treatment of casualties and was in the closest touch with its partners in the Force and with the Lebanese Government. The contributors to the Multinational Force, said the Foreign Secretary, wanted one thing: the restoration of the Lebanese Government's authority and the independence of Lebanon. Without the presence of the Force it was very doubtful whether the ceasefire agreed on 26 September would have come about. The British contingent, at the request of all the parties concerned, had been providing a guard for the meetings of the Ceasefire Security Committee. Noting that national reconciliation talks were to open in Geneva on 31 October, Sir Geoffrey said it was now 'all the more important for all parties in Lebanon to get together urgently to settle their differences by negotiation'.

In response to a question, the Foreign Secretary recalled that the establishment of the Force and the British contingent's participation in it had been accepted on both sides of the House. It had been, and remained, a difficult decision. The Force was there to enhance the prospect of restoring the Government's authority in an independent, sovereign Lebanon on the basis of conciliation between the various groups in the country. It could not be expected to remain there indefinitely, but it would stay for as long as it played a useful part in promoting the peace process. At present there was no intention to change the role or size of the Force, but, clearly, this would need to be reconsidered by all the contributing countries. Sir Geoffrey also emphasised that the British contingent in the Force was taking no sides in the conflict. It would be wrong to consider unilateral withdrawal at a time when the forces of other countries had suffered such a severe blow.

United States View

In a television address, also on 24 October, the United States President, Mr Ronald Reagan, reiterated that United States marines were in Beirut to help bring peace to Lebanon and stability to

the Middle East. In the year that they had been there, Lebanon had made important steps towards stability and order. It had formed a government which, with United States assistance and training, had set up an army of its own. The physical presence of the marines lent support to both the Lebanese Government and its army, allowing the hard work of diplomacy to go forward. Without the peacekeepers from the United States, France, Italy and Britain, the effort to find a peaceful solution in Lebanon would collapse. The obvious purpose behind the attacks on the Multinational Force, said Mr Reagan, was to weaken the United States' will, eliminate its support of the Lebanese Government and destroy the ability of the Lebanese people to determine their own destiny. The President said that the United States would accelerate the search for peace and stability in the region for which its special envoys had been working tirelessly; work even more closely with its allies in providing support for the Lebanese Government and for the rebuilding of a national consensus; and ensure that the Multinational Force was given the greatest possible protection. Beyond that, the main goal was to achieve a broader peace in all of the Middle East, consistent with the Camp David Accords (see pp 352-5, 1978) and United Nations Security Council resolutions 242 of 1967 and 338 of 1973 which still offered the best hope for bringing peace to the region.

Commonwealth Finance Ministers' Meeting

The 1983 meeting of Commonwealth finance ministers, which took place on 21 and 22 September in Port of Spain, Trinidad and Tobago, discussed the world economic and financial situation, ways of sustaining and improving mechanisms of development finance, the work of the World Bank and the International Monetary Fund, and Commonwealth functional co-operation.

World Economic Situation

In their communiqué, ministers welcomed 'the considerable progress achieved in reducing inflation and the emergence of recovery in some industrial countries from the longest recession in the world economy since the great depression of the 1930s'. In many industrial countries, however, the prospects for recovery were still far from firmly established and unemployment was still increasing. In addition, in most developing countries, real *per capita* incomes had declined for three successive years. Persistent high real interest rates, volatile exchange rates, the precarious debt situation, protectionism, virtual stagnation in the flow of development assistance and adverse terms of trade had been among the factors which continued to retard progress towards strong and durable growth in many countries.

Ministers stated that lower interest rates, reduced barriers to trade and increased external resources to support adjustment and encourage investment in developing countries were crucial factors in sustainable recovery. They called upon all governments, particularly in the major industrial countries, to show greater concern for the international consequences of their domestic actions, especially those causing interest rates to remain at high levels. While there was a need for greater policy consistency and for enhanced international co-operation to strengthen the recovery, 'continuing efforts to curb inflation and inflationary expectations as well as to promote structural changes in all countries were essential for a sustained improvement in the world economy.'

Noting that international co-operative action had averted a major upheaval in the international financial system arising out of indebtedness, ministers recognised that further efforts were required to alleviate the acute balance of payments and debt servicing problems of developing countries and to maintain financial flows to countries facing critical liquidity shortages. Improved export earnings for developing countries were essential for helping to meet their financial problems as well as to enable them to secure their long-term development goals.

'Towards a New Bretton Woods'

Ministers welcomed the report *Towards a New Bretton Woods: Challenges for the World Financial and Trading System,*[1] viewing it as a major contribution to the search for answers to the wide range of issues facing the world economy. They agreed on the need for a more integrated approach to the interrelated issues of money, finance and trade, which in their view were matters which required careful consideration by the international community at the highest level. On this basis they commended the report to the Commonwealth Heads of Government for discussion at their meeting in November in New Delhi.

Development Finance

Noting with concern the deterioration in the aid climate in some countries, including the tying of previously untied aid, ministers emphasised the importance of maximising aid flows, particularly to the least developed countries, and urged donors to make renewed efforts to reach internationally agreed targets.

The role of multilateral institutions in expanding aid flows was a substantial one and ministers agreed to exert all efforts to ensure that the institutions obtained adequate resources to expand their operations. They also emphasised the role of private flows, including direct investment, and the need for both developed and developing countries to facilitate such flows to developing countries in a manner consistent with national priorities.

[1]The report, by a group of Commonwealth economists, makes recommendations for reforms in the international trade and payments system and the role of the international financial institutions. It is available from the Commonwealth Secretariat, Marlborough House, Pall Mall, London SW1Y 5HX, price £2.

World Bank

Ministers called on donors to meet their commitments to the International Development Association's Sixth Replenishment during the World Bank's financial year 1984, and, stressing the need for early agreement on the Seventh Replenishment to ensure that it became effective by 1 July 1984, they urged negotiators to take into account the need to accommodate an expanded recipient community and the critical importance of enhancing the growth prospects of developing countries. Ministers also welcomed the World Bank Group's Special Action Programme[1] announced in February 1983, to increase disbursements over the next few years, at the same time regarding as essential an expansion in the Bank's lending programme to achieve the 5 per cent real growth target for its near-term commitments. In this context, ministers looked forward to early agreement on a selective capital increase necessary to support an expanded programme.

International Monetary Fund

Ministers welcomed the International Monetary Fund's (IMF) provision of substantial balance of payments support to many developing countries, noting that 'the IMF was in a key position to help maintain credit flows, ensure orderly debt rescheduling and assist countries seeking Fund resources in formulating appropriate adjustment policies'. They emphasised the importance of the Eighth Quota Increase and the expanded General Arrangements to Borrow being effected by early 1984, urging those countries which had not already done so to ratify the agreement on the Eighth Review of Quotas.[2] To enable the Fund to meet its existing commitments, ministers called upon all industrial countries and countries in surplus to provide it promptly with the required resources. In order to assure the strengthened role of the Fund in promoting adjustment and associated balance of payments financing, ministers agreed on the need to preserve adequate access following the 47·5 per cent increase in quotas, additionally attaching particular importance to the Compensatory Financing Facility (see p 296).

Ministers noted that the current improvements in the balance-of-payments outlook of developing countries resulted mainly from severe and unavoidable import cutbacks which were adversely affecting their economies. Reaffirming their view that the Fund's conditionality should continue to be reviewed in the light of external economic circumstances and the nature and scale of the financing and adjustment problems faced by member countries, they said particular attention needed to be paid to domestic, social and political circumstances in the present climate of acute and widespread economic difficulties.

Most ministers supported an immediate and substantial allocation of Special Drawing Rights (SDRs) in view of the continuing decline in international liquidity, the parlous state of the reserves of many developing countries, and requirements to finance the eighth quota increase. They hoped that a consensus would be found in the Fund on the question of resuming SDR allocations and stressed the importance of surveillance by the Fund of the fiscal, exchange rate and interest rate policies of major industrial countries to promote greater stability in the world economy.

Functional Co-operation

Turning to co-operation within the Commonwealth, ministers welcomed the planned increase in expenditure by the Commonwealth Fund for Technical Co-operation from about £20 million in 1983-84 to nearly £26 million in 1985-86; looked forward to the further development of the Secretariat's Capital Markets Programme and other activities to assist member countries in mobilising external financial resources; and underlined the need for special measures of assistance to countries whose small size and isolation placed them at a particular disadvantage which restricted their prospects for economic growth.

[1]The programme makes available $2,000 million for lending to mostly upper- and middle-income developing countries over the period 1983 to 1985 with the aim of maintaining development momentum. Countries suffering debt crises will be assisted, structural adjustment lending to countries with balance-of-payments problems will be increased and the Bank will increase its traditional share of bank financing in projects, enabling these to be completed sooner than expected.

[2]Members contribute to the Fund's resources in accordance with national quotas which also determine the amount a member may draw from the Fund. Quotas are increased regularly to take account of the growth of world trade and inflation. The Eighth General Review of Quotas, completed earlier this year, increased Fund quotas by 47·5 per cent from about 61 billion to 90 billion Special Drawing Rights. Britain has ratified this agreement (see p 296).

Shorter Note

AID TO MOZAMBIQUE

Britain is to waive repayments totalling £22·5 million on existing loans to Mozambique and has also agreed to provide emergency food aid, additional technical co-operation funds and assistance to Mozambique's health and transport sectors.

The new aid agreement, the United Kingdom–Mozambique Retrospective Terms Arrangement[1] 1983, announced at the conclusion of the visit to Britain of the President of Mozambique, Mr Samora Moises Machel, from 19 to 21 October, cancels the repayments due on four development loans made available between 1976 and 1978 (see pp 156-7, 1976) to finance two power stations, a roads construction project and spares for vehicles and equipment. Britain has also agreed to provide 11,500 tonnes of cereals as emergency food aid to help combat the present severe drought in Mozambique. This is additional to measures agreed earlier this year which made available 3,000 tonnes of maize and £100,000 towards the cost of transporting food from Mozambique's capital, the port of Maputo, to drought-affected areas along the coast.

[1]Britain now has Retrospective Terms Arrangement agreements with 19 poorest developing countries, removing the burden of past aid loans worth over £1,120 million.

Further technical co-operation assistance is to be given for the training of Mozambican students in Britain at a cost of £350,000 over the two-year period from 1984 to 1986, while aid to the health sector will be provided in the form of anaesthetic machines and expertise to train Mozambicans in their use. A £10·1 million project to rehabilitate the Limpopo railway line from Maputo to Chicualacuala on the Zimbabwe border and to provide telecommunications equipment for the Beira railway line will be implemented as part of Britain's support for the Southern African Development Co-ordination Conference (SADCC).[1] Under the same aegis both governments have agreed to identify a project to improve operations at Maputo port by providing a management team for the container berth.

Source: Overseas Development Administration press notice, 21.10.83.

[1]The SADCC, established in November 1980, seeks to promote the regional interdependence of its nine southern African member states (Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe) and in the long term to reduce their reliance on South Africa for trade outlets and food supply lines. The single largest element in the SADCC programme is transport and communications, and the development of Mozambique in this regard is central to its strategy. It also aims to increase regional economic co-operation in the fields of agriculture, energy and manpower development.

Chancellor's Mansion House Speech

The success of the Government's financial policies was shown by a recovery in output (rising at an annual rate of 2·5 to 3 per cent over the last two years), a marked fall in inflation and substantial gains in productivity, the Chancellor of the Exchequer, Mr Nigel Lawson, said at the Lord Mayor's Banquet for Bankers and Merchants of the City of London at the Mansion House on 20 October. The Government's objective remained the achievement of sustainable non-inflationary growth. In continuing its financial strategy the Government would monitor a range of monetary measures and, without setting targets for it, the exchange rate. While recognising the usefulness of the monetary base as an indicator of narrow monetary growth, Mr Lawson emphasised that he was not planning a switch to monetary base control.

Introduction

The Chancellor felt that the outlook for the international economy was, in some respects, more favourable than it had been for some time. World recovery was clearly under way and the prospects for continued growth in 1984 and beyond appeared favourable. Although the pace had so far been set in North America, the promise of stronger growth in Europe and Japan was likely to ensure a more balanced expansion from now onwards.

One of the principal causes of the favourable change had been the widespread determination to reduce interest rates and to keep them down. However, interest rates remained too high in real terms – mainly because budget deficits, particularly in the United States, were absorbing too high a proportion of the world's savings. High interest rates bore especially heavily on developing and debtor countries.

Mr Lawson saw international debt as the greatest immediate problem. Although the need for substantial adjustment by debtor countries was inescapable, they required time to carry out effective adjustment programmes, which called for adequate financing from the International Monetary Fund, other international institutions and banks. The problem would be eased considerably by a steady world recovery, especially if interest rates could fall further. The Chancellor also felt that reliance in the debtor countries on short-term bank lending had been excessive; direct private investment needed to form a much higher proportion of financial flows to the developing countries, and barriers to these flows should, whenever possible, be dismantled. He hoped that Britain's abolition of exchange controls in 1979 (see p 162, 1980) would be matched by similar action to remove controls on investment and remittances in some of Britain's traditional markets.

The British Economy

Inflation in Britain had fallen dramatically and was now running at an annual rate of some 5 per cent compared with an average of about 15 per cent in most of the 1970s. The fall in the last two years had been very much more rapid than most people had expected despite a stronger economic recovery than many had foreseen. The prospects were also encouraging, suggesting, if anything, a downward path in 1984. Although inflation in 1983 had been lower than at any time in the last 15 years, 'there can be no relaxation of the pressure to keep it moving down. Only two decades or so ago an inflation rate of 5 per cent would have been considered too high. It is too high. The Government's ultimate objective is price stability.'

Interest rates had also fallen, reflecting the maintenance of sound financial conditions, while government borrowing, which four years ago had been much higher in relation to gross domestic product (GDP) than in most industrial countries, was now lower than in most.

Output had recovered, helped by the fall in inflation and interest rates. Revised figures showed that the economy had been growing at an annual rate of some 2·5 to 3 per cent since the trough of the recession in 1981. The turning point could be traced to the 1981 Budget (see pp 94–104, 1981) which, by holding fast to the anti-inflationary strategy, had helped to produce growth without a high level of inflation.

Within the context of the medium-term financial strategy (MTFS – see p 113, 1980), developments on the supply side would be the main long-run determinant of economic success. 'We shall continue to encourage enterprise and efficiency, not least through our programme of privatisation [see pp 376–9]. There have already been striking gains in industrial productivity. Productivity in manufacturing has risen by about 20 per cent since the end of 1980 – an increase almost without precedent. Manufacturers' unit wage costs are now increasing by less than 2 per cent a year: the lowest rate since the figures were first compiled.' The dramatic change in expectations that had

accompanied the strategy was not quantifiable but nevertheless vital. 'The change to a climate of realism and commonsense has pervaded all levels of industry. Pay bargainers now understand the crucial link between pay and jobs. The response through lower settlements and improved productivity underlies the recovery. It is vital that this sense of realism, and the downward trend in pay settlements, should continue.' The need for change on the supply side was not confined to industry; it applied to financial services as well. The Chancellor welcomed the changes which had recently been agreed for the Stock Exchange (see pp 275 and 343); he felt that increased competition, subject to maintaining proper protection for investors, would strengthen London's ability to compete in what was becoming a world market for securities.

Financial Strategy

Mr Lawson said that he had been reviewing the operation of monetary policy. This was not with the intention of changing policy objectives, as the Government's success in reducing inflation and creating the conditions for increased output had shown that no change in overall strategy was necessary; a sharp fall in inflation and a recovery in output had occurred without destabilising policy changes. Nevertheless, he felt that there might be a need for a re-examination of some of the technical aspects of policy and some changes in emphasis. The MTFS itself was 'alive and well'. The key elements of a financial strategy were fiscal policy, funding, monetary targets and the exchange rate.

Fiscal Policy

The Government's determination to cut public sector borrowing as a proportion of GDP had been an important part of the financial strategy since 1979 and a major reason for its success. The reduced demands of government borrowing on the nation's savings had allowed interest rates to fall from their peak levels of 1980 and 1981, thus stimulating the recovery. In 1982 Britain's general government financial deficit was, at 2 per cent of GDP, lower than the comparable figure for the United States – 3·8 per cent – for the first time in well over ten years. In the same year long-term interest rates fell below United States levels, having been higher for many decades.

The Government would continue to put downward pressure on the public sector borrowing requirement (PSBR) over the medium term. 'This will require continued strict control of government spending. We must curb the growth of public expenditure: and this is a task not just for today, but throughout this Parliament and beyond.'

Funding

The broad aim of funding policy would continue to be the financing of the PSBR by means of raising funds from the non-bank private sector and from external flows, to which insufficient attention was often paid. By limiting the contribution to monetary growth of the public sector, this provided a basic control on the increase in liquidity. Occasions might arise, as they had in the past, when funding ought to be higher or lower than the PSBR, in order to take account of the demand for credit in the private sector and to provide a measure of control if the wider monetary aggregates were growing too quickly. 'But over the medium term there should be no systematic tendency either to overfund or to underfund the borrowing requirement.'

Monetary Targets

The Government would continue to seek a gradual reduction in monetary growth. Monetary targets had provided 'an indispensable financial discipline. They have not been, nor have they ever been intended to be, a form of automatic pilot. Over the years we have adjusted the targets themselves; and we have always sought to take account of shifts in the demand for money, whether due to financial innovation or to institutional change.'

Experience had, however, shown the value of monitoring both broad and narrow definitions of money. The present broad definitions of money were arrived at in consultation with the International Monetary Fund in 1976 (see p 25, 1977). Although, at a time of high inflation and government borrowing, sterling M3 (notes and coin in circulation and the sterling bank deposits of British residents) gave the sharpest focus to policy and played a crucial role in reversing expectations about future inflation, a single monetary indicator was never regarded as being an adequate guide to monetary conditions. Actual policy decisions had to be taken with a view both to the growth of liquidity in the economy – as shown by the broader measures of money – and to the amount of money immediately available for current transactions – as shown by the narrower indicators. Indeed, the March 1980 consultative document *Monetary Control* (see pp 131-2, 1980) had stated that, as no single monetary indicator could be expected fully to encapsulate monetary conditions, the authorities had to monitor a range of aggregates in making an assessment.

None of the measures was a perfect guide to the underlying concept it sought to reflect. The interpretation of sterling M3 had been complicated by the structural effects resulting from the removal of exchange controls and direct controls on bank lending, which left Britain's financial markets fully exposed to the forces of competition, both international and domestic. Sterling M3 remained an important measure – perhaps the most important – but was supplemented by PSL2 (a broad indicator of liquidity in the private sector including most forms of savings deposits).

The narrower monetary measures had come to play an increasingly important role in the formulation of policy on short-term interest rates. This was formally recognised in 1982 by extending the monetary targets to cover both broad and narrow aggregates (see p 116, 1982). Narrow measures responded unambiguously to changes in short-term interest rates while broader measures tended to react to changes in the structure of rates. The surge in the narrow aggregates in 1977 was

followed by the surge in inflation in 1979 while the slowing in their growth in 1979 and 1980 preceded the recent decline in inflation.

The problem with the traditional narrow measure, M1 (notes and coin in circulation and the most liquid sterling bank deposits of British residents), was that it had come to include a large interest-bearing component – currently over 25 per cent of the total; it had thus acquired some of the characteristics of broad money and was becoming less of a measure of transactions-related balances. There was therefore a need to pay more attention to other measures of narrow money. M2 (notes and coin in circulation plus certain sterling deposits in banks, building societies and the National Savings Bank) had been specifically designed as a measure of transactions balances but its relative newness meant that a sufficiently long run of statistics was not available to facilitate complete familiarity with its properties.

Recent evidence suggested that other narrow measures – particularly those of non-interest-bearing money such as the monetary base, M0, and its major component, notes and coin in circulation – had not been subject to the same distortions as M1. Also, a statistical series going back a long way was available. The Chancellor stressed that he was not advocating a switch to monetary base control; the present methods of market management had performed well and he did not intend to initiate any changes. Nevertheless, it did 'appear that M0 could have a more important part to play as a key indicator of the growth of narrow money'.

Whichever indicators were used, Mr Lawson felt it unlikely that a single range for both broad and narrow aggregates would be appropriate as the velocity of circulation of non-interest-bearing money was quite different from that of broad money. There was nothing unusual about this; examples from overseas were plentiful.

It would not be possible to ensure that all the measures were contained within their target ranges; the Government would continue to interpret behaviour in the light of the other available evidence. Within this process there was a presumption that the narrower aggregates might have particular relevance for short-term interest rates while the broader ones might be more relevant to decisions on fiscal and funding policy.

The Exchange Rate

The exchange rate, by providing information about financial pressures at home and overseas, was of key importance in the interpretation of monetary conditions. In particular, its movements could throw light on any unexpected shifts in the demand for money. However, the exchange rate could move for various reasons unconnected with fundamental developments and so give misleading signals as to the tightness of monetary policy. Therefore, while the Government would continue to take the exchange rate into account in interpreting monetary conditions, there would, as before, be no target for it nor any formula linking it with other indicators.

Money GDP

The success of financial policy could be seen in the behaviour of money GDP (broadly, total demand at current prices). The objectives of policy implied that the rate of growth of money GDP should gradually decline and that, within that growth, an increasing share should be attributable to output growth and a decreasing share to inflation; this had happened. Moreover, the course indicated for the years ahead should lead to a continuing gradual decline in the rate of growth of money GDP.

Conclusion

The Government's objective, in line with the consensus in the Western world, was the achievement of sustainable non-inflationary growth. The twin pillars of policy remained the MTFS and the encouragement of enterprise. The formulation of policy had evolved over time – and would continue to do so – but the essence remained the same. 'It has served us well through an exceptionally difficult time. The longer it is in place, the more effective it will be in ensuring prosperity to the nation, and hence to the public purse, to which we have tonight pledged ourselves anew.'

Competition Policy

The Government's commitment to the primary role of the market in economic affairs and the implications of this for its competition policy were explained in a recent speech by the Parliamentary Under-Secretary of State for Corporate and Consumer Affairs, Mr Alexander Fletcher. He said that most mergers – and 'de-mergers' – were brought about by the interplay of market forces, and therefore intervention by the Government should occur only in exceptional instances. The few cases which were referred to the Monopolies and Mergers Commission for investigation ought to follow a demonstrable pattern, but the essence of the system which had evolved under present legislation was flexibility rather than predictability.

Mr Fletcher was speaking at a *Financial Times* conference on competition and mergers on 20 October. He reiterated the Government's view on the primacy of market forces in the economy: 'The market – and the market alone, free of political interference – should have the overwhelming role in deciding on the developing pattern of our trade and industry. This is central to our policy for industrial recovery; working with the grain of market forces.'

International Competitiveness

The creation of the merged Department of Trade and Industry reflected the Government's belief that such a policy should not be purely domestic. It had an international dimension; and in fostering industrial recovery the Government was looking to the development of companies which were competitive both at home and abroad, capable of

expanding into export markets and of competing with the import penetration to be expected in an open trading system.

Need for Safeguards

Most of the time the market was a force for progressive change, but wider questions could arise where the market might not be the best or only judge. The success of a company could itself cause it to become unduly dominant, leading to a monopoly. There was no automatic presumption against dominant positions or large market shares; these were inevitable in some sectors but not in others. Most mergers – and de-mergers – had a market rationale, in which the Government would not – and did not – wish to interfere. However, in a small number of cases (usually fewer than 12 a year) – where the merger raised questions about the power or efficiency of the merged unit or about the risk of creating a dominant market position – government intervention was necessary, and it was essential to maintain appropriate machinery to deal with these cases.

Roles of Commission and Secretary of State

Mr Fletcher went on to emphasise that mergers between companies of all sizes were 'a fact of our economic life' and took place constantly. Only about 200 cases a year qualified for scrutiny by the Office of Fair Trading, and of these fewer than 5 per cent on average had been referred to the Monopolies and Mergers Commission in recent years. References to the Commission were not made lightly. Its investigatory procedure was extremely thorough but also time-taking. As a result it had to be used sparingly.

Turning to the issue of the public interest criterion against which mergers are considered (the Secretary of State has powers to prevent a merger that would operate against the public interest – see p 220, 1980), Mr Fletcher said that this had been criticised as being too wide. However, he felt that, while references to the Commission remained few, there was reason for a wide criterion so that all issues could be judged in the small number of really important cases. If a narrower criterion were adopted there would be the risk that certain matters could not be investigated by the Commission and, therefore, a feeling that the Government (with all the political pressures that might be involved) should be called upon to investigate or give a ruling.

On the question of the predictability of merger references, Mr Fletcher said that the present system for considering competition issues was essentially discretionary. However, he refuted the view that ministers had unjustifiably interfered in some reference decisions. This view, he argued, did not take account of the fact that under current legislation the decision on whether to refer a merger to the Commission lay solely with the Secretary of State for Trade and Industry. Although the Director General of Fair Trading had an essential role in analysing each case and the statutory function of making a recommendation – and in most cases ministers would follow his advice – the final decision lay with the Secretary of State.

Complete predictability was not attainable under this system nor, perhaps, was it desirable. The essence was flexibility and comparisons with the contrasting systems in the Federal Republic of Germany and the United States showed that flexibility and complete predictability were incompatible. Nevertheless, Mr Fletcher was concerned that a pattern should develop and that the decisions taken at any one time should not be regarded as unpredictable and capricious. The Government therefore intended to give as much guidance as possible to the market on the policy in particular cases by, for example, giving brief reasons for decisions.

A procedure for seeking confidential guidance from the Office of Fair Trading on whether mergers were likely to be referred or not was already in existence. In three-quarters of the cases where confidential advice was sought clear guidance was provided. In the other one-quarter, guidance was withheld, often on the grounds that a proposal was not public and its likely effects were difficult to gauge.

Adaptability of Policy

Concluding his speech, Mr Fletcher pointed out the need to consider regularly how competition policy should be adapted. The Government was concerned that it should play a full part in helping to promote the best use of resources and ensure that the competitive process was constantly sustainable.

Privatisation

Privatisation, a key element in the Government's economic strategy, raised exciting possibilities for consumers, employees and managers, the Financial Secretary to the Treasury, Mr John Moore, said in London on 1 November. He pointed out that privatisation was justified on economic as well as political criteria and that it offered a remedy for many of the ills that had beset Britain's recent industrial performance.

Nationalised Industries

Addressing the annual conference of the stockbrokers Fielding, Newson-Smith, Mr Moore said that the performance of nationalised industries was of major importance to the performance of Britain's economy as a whole.[1] These industries accounted for about one-tenth of gross domestic product, roughly one-seventh of total investment and employed about 1·5 million. They dominated the transport, energy, communications, steel and shipbuilding sectors, and their actions affected every individual and firm in the country. If those state industries which were monopolies exploited their dominant market position or operated as bureaucracies rather than businesses or were

[1]For further information about nationalised industries, see COI reference pamphlet *Nationalised Industries in Britain*, No 128/RP/82.

unresponsive to their markets, the effect was felt throughout the economy.

Mr Moore argued that the act of nationalisation had been primarily a political act. It was thought that nationalisation would help to bring about greater equality of income and wealth and would advance the general prosperity of the nation, but the outcome had been the reverse. The original proponents of nationalisation had replaced the entrepreneur with the bureaucratic centralist. They believed that by placing management and workers in a position of responsibility and trust, they would be imbued with a sense of the public good and their actions and aspirations would naturally reflect what was best for the country. They thought that it was unnecessary to provide economic or financial criteria other than a requirement to break even after full depreciation 'taking one year with another'.

Nationalised industries had been entrusted with extensive monopoly power. It was often considered that the public interest was best served by having a monopoly supplier and that competition was wasteful and detrimental to both the consumer and the taxpayer. Mr Moore, however, felt that there were few natural monopolies.

Comparative Industrial Performance

The performance of the nationalised industries had been disappointing and had not reflected the high expectations of their supporters. Since the mid-1960s the total return on capital in the industries had been significantly and consistently below that of the private sector. Since the early 1970s the aggregate returns on capital had been virtually nil. Prices in the nationalised industries had regularly increased more rapidly than prices in general; this was not surprising given the tendency of state monopolies to lose control of costs in the knowledge that the consumer would have no alternative but to pay the resulting higher prices.

Governments tended to intervene in the pricing policies of the nationalised industries. This had resulted in the setting of artificial price levels and in some instances serious distortions of the true market position, as happened in the energy industries. (The Government was looking closely at further ways of increasing competition and introducing privatisation into the energy sector.)

Productivity and Manpower

Mr Moore said that the productivity and manpower performance of the state industries had also been disappointing. The unit labour costs of most of the large nationalised industries had increased faster – sometimes much faster – than the national average in the period 1970-71 to 1982-83 without corresponding increases in productivity. 'The message is clear. Public enterprises perform relatively poorly in terms of their competitive position, use labour and capital inefficiently, and are less profitable.'

Customers

The nationalised industries had not generally been able to satisfy their customers. Services did not seem to match customer needs or expectations, and because many nationalised industries were monopoly suppliers customers felt powerless to do anything to reverse the trend of rising prices and falling standards.

Public Sector Constraints

The poor performance of the state industries was due not to poor quality of management or workers but rather to institutional restraints. Managers had to contend with political and bureaucratic interference, and were unsure whether they were managing businesses or social services. In such a situation social and commercial objectives both suffered.

Many other reasons contributed to the poor performance of the nationalised industries. For example, they were unable to attract genuine risk capital because of potential investors' concern that the Government, with its prime responsibility to the economy as a whole, might subordinate the needs of the individual state industries to larger economic considerations. Additionally, the claims for finance for investment by state industries – which might be absolutely justifiable in commercial terms – had constantly to be viewed against total public expenditure. The net result of the system was that political considerations – often short-term in nature – had in the past taken precedence over commercial considerations.

The finance and investment of the state industries were, therefore, constrained by outside factors and by the political process. Mr Moore argued that, in a parliamentary democracy, this was only right while industries remained in the public sector. However, it was not the correct way to run a business.

These industries did not have to succeed to survive. They had no real incentive to improve their performance, to increase efficiency or to respond to the market if the Government always guaranteed their survival. The consumer, the taxpayer and the industries themselves had all suffered as a result.

Government Response to Industrial Performance

Over the years governments had applied a variety of control mechanisms to the nationalised industries in an attempt to improve their performance, but each successive control mechanism had failed. Only recently, with the emphasis on external financing limits, financial targets and performance aims, had there been any improvement in overall discipline. Even these controls were not sufficient to make the industries function properly. 'In essence, governments of either major political party have attempted to compensate for the lack of market forces by imposing surrogate market forces on the industries. Governments have systematically set about creating a set of external stimuli that, in the absence of real competitive forces, tried to provide pressure similar to that normally provided by market mechanisms ... Privatisation and competition replace the surrogate market with the real market and bring the control philosophy that has evolved over the years to its logical conclusion.'

Benefits of Privatisation

The Company

The advantages of privatisation for the company were many. Those companies which had already been privatised were trading extremely successfully. Their new-found independence meant that their balance sheets had been geared to the particular needs of the business and finance could be drawn from the normal capital markets rather than from the Government. Commercial investment could be increased and a completely new set of financial criteria operated, attuned to the company rather than to the needs of government borrowing.

Employees

Privatisation could also bring benefits to the workforces. Employees in a privatised company could buy shares in the company and had been given preferential treatment to enable them to do so. About 100,000, or 90 per cent of the total eligible workforce, had purchased shares in their companies.

Employee participation had been particularly noteworthy in the case of the former state-owned National Freight Corporation, which had been purchased by its workforce in 1981 (see pp 341-2, 1981). The company had prospered since privatisation largely as a result of changed management attitudes and a well-motivated, highly responsible and committed workforce.

Managers

It was very difficult within the public sector to provide sensible financially-based motivation suited to the needs of individual firms. Remuneration had to be settled within an overall framework which might not be fully appropriate in individual cases. This made the task of appointing first-rate managers difficult. Privatisation enabled managers to manage; it made it possible to link pay to success and to provide appropriate rewards.

Pay Bargaining

Mr Moore believed that pay bargaining could be conducted much more responsibly and easily in firms freed from government interference. The Government had tried to place responsibility for pay bargaining solely on the managers. However, trade union leaders tended to want to involve the Government. Privatisation decisively broke this political link.

Job Satisfaction

Privatisation also enabled pride in work and job satisfaction to be increased. Nationalised industries had an unfavourable public image which affected employees' morale. Many able people worked in these industries but institutional constraints and lack of motivation blunted overall performance.

Employment

Nationalisation did not preserve jobs; the gas, electricity and coal industries had all experienced substantial declines in employment. Firms in the private sector continually adjusted to replace lost business in order to survive; state industries were legally prevented from doing this. In the long term, circumstances inevitably brought about abrupt and traumatic changes, but not before jobs were lost forever. It was competition which created jobs as it forced modernisation and technological change.

Nationalisation stifled flair and imagination and blunted business skills. These were qualities essential if new products were to be developed, new markets sought and new jobs created.

Unless nationalisation produced mechanisms for ensuring that goods and services were produced of a kind that customers wanted and at a price that customers would pay, there was no long-term future for what was being produced. If poor productivity and poor control of prices caused prices to rise above a level that the market would tolerate, then either subsidies had to be sought or customers would go to other suppliers, where they existed, and a spiral of unprofitability would set in, leading to inevitable job losses. Privatisation ensured that companies constantly adjusted to their markets.

The Consumer

The principal benefit of privatisation accrued to the consumer. Mr Moore did not wish to see public monopolies replaced by private monopolies. It was essential that privatisation was accompanied by greater competition: 'The primary objective of the Government's privatisation policy is to reduce the power of the monopolist and to encourage competition.' Regulation or franchising could ensure that the potential harmful effects were minimised where competition was not practical or was slow to develop.

Governments had tried to make the public sector more responsive to consumer wants and needs by, for example, establishing consumer councils (see p 41), but had met with little success. Lack of competition led to complacency in the attitude of state enterprises towards their customers.

Privatisation must bring about greater competition and choice for consumers. Mr Moore said that the long-term success of the policy depended upon the maximising of competition. The Government had started to privatise British Telecom (see pp 269-72), and already there was evidence of greater competition in the telecommunications industry – Mercury had been licensed to provide an alternative network (see p 86, 1982); and competition in the supply of equipment was being introduced.

Subsidy

As privatisation continued it was vital to ensure that it did not erode essential services. One advantage of the policy was that it forced into sharp relief a distinction between activities which were commercial and those which were not. If uncommercial activities deserved support, subsidies should be directly given. Commercial companies should be allowed to compete regularly for subsidies, in the same way as they competed for customers, thereby ensuring that subsidy levels

were kept as low as possible and at the same time encouraging efficiency and customer satisfaction.

Conclusion

Concluding, Mr Moore said that competition was an extraordinarily efficient mechanism. It ensured that goods and services preferred by the consumer were delivered at the lowest economic cost. It responded constantly to changes in consumer preferences and did not require politicians or civil servants to make it work. During the next four or five years the Government would continue with its coherent and well thought-out privatisation programme. The programme would benefit the management of the nationalised industries, their employees, the consumer and the taxpayer, and at the same time reduce the amount of government borrowing and the size of the public sector.

Industrial Policy

The aims of the Government's industrial policy – the promotion of efficiency and profitability and the expansion of the private sector – were explained to the National Economic Development Council (NEDC) in a memorandum on 21 September. In order to encourage growth and innovation, the Government is placing increasing emphasis on the research and development component of assistance. Policy has shifted from a sectoral basis (companies dealing with a closely related group of products and services) to a horizontal basis (where a wide range of products or services are dealt with).

The memorandum described the main facts of direct government assistance to industry through consideration of three questions: whether assistance did enough to foster growth and to help adjustment for contracting industries; the balance of support between, broadly, manufacturing and services and, more narrowly, between particular areas of activity; and the balance between assistance on a horizontal basis (for example, for a particular technology) as compared with programmes which selected between firms and sectors. These questions were framed so as to indicate the main policy options in determining the amount, nature and distribution of government assistance to industry. The way the options were exercised would depend on the Government's overall objectives, to which its industrial policy had to relate.

Of overriding importance was the objective of controlling inflation and of reducing the pressure on interest rates, as this would make a more substantial and lasting contribution to the improvement of industry's international competitiveness than 'fine tuning' by the instruments of industrial policy. The major means to that end was the determined control of monetary growth and public expenditure. The aims of the Government's industrial policy were the promotion of an efficient and profitable industrial sector and an expanding private sector. The Government's basic position was to work 'with the grain of market forces rather than to intervene to frustrate them, and to create a climate conducive to enterprise and growth by improving incentives and, wherever possible, reducing the burdens of taxation and legislation on industry'. Government aid to industry, therefore, was designed to assist it to adapt and respond to new pressures and new opportunities and not to prop it up in the face of changing circumstances. If government assistance were significantly less than that provided in other countries, Britain's industry would be at a competitive disadvantage and it would be difficult to attract inward investment, which is an important source of new technology and additional employment.

The Pattern of Assistance

Direct financial assistance to industry in the form of grants, loans and guarantees was provided by a number of government departments in a number of policy areas. The total amount of assistance for 1982-83 was £5,440 million (about 2 per cent of gross domestic product), 11 per cent of which was spent on employment and training, for which the Department of Employment was responsible. Assistance given by the Department of Trade and Industry (DTI) amounted to £3,144 million (just over 1 per cent of gross domestic product) of which 21 per cent was given in regional development grants and other forms of regional support and 18 per cent comprised assistance to exports (the support given by the Export Credits Guarantee Department) and the expenditure managed by the British Overseas Trade Board for export promotion.

Assistance to small firms, an important component of the Government's industrial policy, embraced a wide variety of measures such as tax incentives and exemptions and information and advisory services. The loan guarantee scheme (see p 103, 1981) provided a government guarantee for 80 per cent on any loan of up to £75,000 between two and seven years, while the business expansion scheme (see p 133) offered generous tax relief to individuals prepared to invest in qualifying companies. These schemes made a useful contribution to the financing of small companies, and the DTI's small firms service and local enterprise agencies provided information and advice on a range of business matters. Only the loan guarantee scheme involved direct financial assistance to firms (£12 million in 1982-83), though small firms could also benefit from the financial assistance available for investment, research and development and innovation, including the small engineering firms investment scheme (see p 142).

Sectoral Development and Structural Adjustment

The huge predominance of financial assistance in various forms to a number of loss-making nationalised industries and publicly owned companies (for example, BL and Rolls-Royce) was striking. To these could be added the private sector steel

scheme (see p 28, 1982) and the continuing (though reducing) financial assistance to Concorde. These sectors accounted for 94 per cent of total government assistance for sectoral development and structural adjustment in 1982-83 and for 42 per cent of total government assistance to industry of all kinds. Within DTI assistance, as much as 46 per cent of the total in 1982-83 went to those sectors, primarily the financing of steel, shipbuilding and BL.

It was the Government's policy to bring the publicly owned industries and BL into profit as soon as possible to reduce the continuing major burden on the country's resources. Government assistance was justified to help those industries with the necessary structural adjustments and improvements in working practices to make them competitive internationally. With regard to rationalisation in the private sector, the private sector steel scheme provided financial assistance, primarily for redundancy payments to companies restructuring their organisations, and operated in conjunction with European Community measures to bring about a balance between capacity and demand. However, this scheme was exceptional; it was not part of the Government's policy to finance loss-making activities.

The remaining assistance under sectoral development and structural adjustment came under section 8 of the Industrial Development Act 1982 (see p 336). The amount spent on these selective assistance schemes amounted to £108 million in 1982-83, representing about 4 per cent of the total of the DTI's assistance. This assistance, mainly in the form of capital grant (which covered between 5 and 33·3 per cent of eligible costs of investment projects) aimed to encourage projects that strengthened competitiveness through increased productivity and innovation, and which would otherwise have been stopped, delayed or reduced in scale for lack of government support. These grants were in addition to regional development grants. Capital allowances for investment were an important incentive for companies in a tax-paying position; indeed, few of Britain's competitors had as generous a system of tax incentives.

The pattern of section 8 assistance was essentially demand determined: companies applied for assistance and if the project met the statutory criteria, a grant was negotiated and paid. There may have been some bias towards the larger companies as recipients of section 8 assistance (perhaps reflecting the spread of their activities or their better knowledge of the Department's schemes). However, the section 8 scheme to encourage investment with significant innovation in small and medium-sized firms was among the measures offsetting this possible imbalance.

Research and Development and Innovation

Assistance given by the DTI and the Department of Energy for research and development and innovation amounted to £524 million in 1982-83. The DTI provided £272 million or 9 per cent of its total assistance. The Government had a particular role to play with regard to long-term research and development and in bridging the gap between basic research and industrial application, demonstrated by its broad endorsement of the Alvey Committee[1] proposals and the allocation of £200 million of support for them (see p 373, 1982). The Department of Trade and Industry, in conjunction with the Ministry of Defence, was considering ways of enhancing technology transfer from the defence to the civil sector. (Britain devotes a higher proportion of government research and development expenditure to defence than most other industrialised countries.) The Ministry of Defence was continuing to devolve work from its own research establishments to industry wherever practicable and appropriate (see p 340).

The DTI's support for innovation programmes (see p 296, 1982) supplemented the general assistance available for research and development under the Science and Technology Act 1965 by a number of specific schemes aimed to encourage greater awareness of new technologies, to provide help with consultancy services and training, and to give financial assistance with research and development investment. Through these schemes the Government was encouraging research in various key 'enabling technologies' (such as information technology, fibre optics and robotics) which drew on several scientific disciplines and had applications across the established as well as the new industries. The results of Information Technology Year in 1982 (see p 183, 1981) showed a high level of awareness among businessmen of information technology. The microelectronics applications project (see p 388, 1979), the robotics programme (see p 252, 1980) and the flexible manufacturing systems programme (see p 211, 1982) had all made a significant impact.

A feature of the Government's programmes was the emphasis on the 'human capital' element by assistance with training and consultancy, part of a general need to raise the level of technical and managerial skills if technological and market opportunities were to be seized. The Government was now giving more attention to monitoring the effects of assistance. A number of surveys had been made and the Government was developing its own internal evaluation procedures as far as resources allowed. The cost effectiveness of the schemes had to be kept under constant review. Better information about the effects of existing schemes would enable better decisions to be made about the allocation and direction of future assistance.

The European Community

The regulatory framework which the Commission of the European Community was developing on state aids endorsed the encouragement of research and development (which in some cases was partly financed by Community funds), the fostering of small and medium-sized firms and the promotion of new technologies, while subjecting to closer scrutiny measures of support for ailing industries. The Commission's interpretation and application of the rules on state aids could

[1] A committee under the chairmanship of Mr John Alvey which proposed a national collaborative programme covering advanced research in four key technologies.

therefore have an important influence on the pattern of financial assistance in member states. For example, state aids for the steel industry would have to be phased out by the end of 1985. The broad direction of the Government's policy was consistent with the European Community's approach.

The Future Pattern of Assistance

The pattern of assistance was changing towards the encouragement of innovation and growth, and the Government's aim was that this trend should continue as assistance to the contracting industries declined, especially as a result of the improvement in performance of loss-making businesses such as BL and the British Steel Corporation. The privatisation programme (see pp 376-9) would contribute substantially to this end by moving to the private sector of the economy those industries which there was no overriding reason for keeping in the public sector.

Relatively little assistance had been provided for the service sector because the service industries tended to be less capital intensive, were more mobile and adaptable and often followed in the wake of manufacturing investment. Small firms in the service sector could benefit from the many measures available to help small firms, particularly with regard to consultancy and managerial services. Policies to foster small firms therefore made a major contribution in the service sector. The contribution of the service sector to the future success of Britain's economy should not be underestimated and it was important that government assistance to industry should not discriminate against services. The most important factors influencing the future pattern of assistance would be the success of the Government's macroeconomic policies and the willingness of industry to seize, on its own initiative, the opportunities that were presented by the improvement in its international competitiveness. As the economy began to recover, the question of phasing down selective assistance could arise. With recovery, however, it was likely that firms would undertake viable investment projects without assistance other than the capital allowances available under the tax system.

Information Technology

The growing importance of the provision of information as a commercial activity, which already employs about 1 million people in Britain and is a substantial source of overseas earnings, is stressed in a report by the Information Technology Advisory Panel.[1]

The report notes that surveys have shown an increasing awareness of information technology and that many organisations are considering carefully how they can compete better through the use of information technology to improve their efficiency, increase their scale of operation, or provide new services. It welcomes these developments and strongly endorses the Government's view (see pp 28-30) that, unless Britain successfully harnesses information technology, it will not maintain its competitive position in the world economy. The report concentrates on the information aspect of information technology and says that new technology is eroding many of the distinctions that used to separate one form of information medium from another, so creating major world-wide opportunities for the supply of information, opportunities well suited to the creative talents of the British people. Publications, films and news services are all becoming aspects of an expanding 'tradeable information sector', which covers the supply of financial and business information, printing and publishing, on-line technical information, consultancy, the entertainment industry and various aspects of education and training services. The provision of information is an increasingly important commercial activity and the sector already employs an estimated 1 million people and, on this estimate, probably accounts for about 5 per cent of Britain's gross domestic product. It is also a substantial source of overseas earnings and in the last decade Britain has been considerably more competitive in world markets for information services than in those for manufactured goods.

Main Conclusions and Recommendations

The Panel says that both the private and public sectors in Britain need 'to pay much more attention to information as a commercial commodity, to be concerned with the creation and maintenance of its value, and to take steps to develop the delivery systems that best meet users' needs'. The principal responsibility for exploiting the opportunities arising from new computing and communications technologies must rest with the private sector, but the Government needs to establish an environment in which new developments will be encouraged. The report says that the diversity of trade groupings should seek to join in a new representative body, better able to promote the development of the sector, while the National Economic Development Office should consider a sector working party for this area of activity. A complex pattern of government responsibilities exists, but no department has responsibility for considering the development of the sector as a whole, although the Department of Trade and Industry contains most of the necessary functions. Three needs are envisaged by the Panel: first, for effective government machinery, whether within one department or of an inter-departmental nature, to consider in an integrated manner the issues raised by the growth of information services and associated technological developments; secondly, for clear ministerial commitment to the importance of the sector; and thirdly, for one major department to have responsibility for co-ordinating policy and acting as the principal point of contact between government and private sector interests. The Government should use its information gathering and supply activities as a means of stimulating the creation and growth of new

[1] *Making a Business of Information – A Survey of New Opportunities.* A report by the Information Technology Advisory Panel. Cabinet Office. HMSO, £4·20. ISBN 0 11 630824 9.

types of information service, and in this area there are extensive opportunities for joint ventures with private sector organisations. Major opportunities exist for the provision of education and training through new technological means and Britain should seek a leading position in this activity. The report stresses the importance of copyright legislation to the commercial viability of the sector and says that it is essential that legislation being prepared following the Green Paper of 1981 (see pp 274-7, 1981) should take account of major technological developments in order to provide a secure legal foundation for the information business in the long term.

From its conclusions, the Panel draws three general recommendations. First, the Government should recognise the current economic significance of the tradeable information sector and the opportunities for future growth, and take the sector's interests into account in policy formation. Secondly, information suppliers should closely examine present activities to identify how new technology is eroding distinctions between their particular interests and other areas in which they may previously have had no involvement, and should prepare business strategies accordingly. Thirdly, those wishing to participate in or stimulate new business activities should note the many opportunities suitable for an entrepreneurial approach which are being opened up through the use of new technology for the supply and analysis of information.

Railways

The Government has set new financial objectives for the British Railways Board and has reaffirmed its view that there should not be a programme of major route closures. Greater private sector participation is being sought.

In a statement in the House of Commons on 24 October (*Hansard*, Vol 47, No 33, cols 39-48), the Secretary of State for Transport, Mr Nicholas Ridley, said that the Government had listened carefully to the public debate on the Serpell report on railway finances (see pp 67-9) and in particular to the views of the House of Commons Select Committee on Transport (for publication details see p 208). 'What emerges strongly from that debate is that it is for the Government to give the railways a clear framework and objectives, and for the British Railways Board to direct and manage its business in the light of them.' Accordingly, he had sent to the chairman of the Board, Mr Bob Reid, a statement of the objectives which the Government wished him to pursue. (In his letter Mr Ridley said that the 'guiding objective should be to run an efficient railway, providing good value for money. Services to . . . customers should be reliable, attractive and punctual, at acceptable fares and charges, and the cost to the taxpayer should be reduced.')

Mr Ridley said that British Rail had already begun to introduce significant improvements, and the firm objectives he was setting were designed to further that process. In its 1983 corporate plan the Board envisaged that its requirement for the public service obligation grant (providing compensation for the financial burden of operating as a public service those parts of the rail passenger system which would not otherwise cover their costs) from the Government would decline in terms of 1983 prices to about £700 million in 1986 and £635 million in 1988. He was setting the chairman the objective of achieving the latter level of grant requirement in 1986. The objectives made it plain that it was not the Government's intention that the Board should embark on a programme of major route closures. However, he welcomed the Board's views, following the endorsement of the case by the Select Committee on Transport, on the feasibility of introducing some guaranteed and subsidised substitute bus services where they would be appropriate in terms of local transport and value for money.

Mr Ridley said that the freight, parcels and inter-city businesses could and should work to a commercial objective. The Government believed that rail freight had strong environmental advantages over road freight and wanted as much freight as possible to be carried by rail, within the financial target for the freight business of achieving a current cost operating profit of 5 per cent in 1988.

To improve services for customers and keep down costs, Mr Ridley continued, he had asked the chairman to continue to seek greater private sector participation in the development of the railway. In his letter Mr Ridley said that Sealink UK Ltd (responsible for the Board's shipping and harbours operations) should be made ready for privatisation as soon as possible. The Government was also looking to British Rail to obtain from the private sector more supply and support services, including rail and station catering. He would welcome proposals from the Board for more private sector finance and participation in the development of stations and railway services, while the Board should continue to pursue a vigorous policy of property development and disposal. Rationalisation of the excess capacity of British Rail Engineering Ltd (responsible for constructing locomotives, coaches, wagons and containers for British Rail and for undertaking maintenance and overhaul as well as work for export) should be completed as soon as possible. In addition, the chairman of the Board had been asked to complete by mid-1984 a review of the options for the future of the subsidiary, including the options for privatisation, all of which would be examined on their merits. Railway rolling stock should be procured by British Rail wherever possible by competitive tendering, and the railway equipment industry should continue to be allowed the opportunity to offer design solutions to meet British Rail's requirements.

'With these objectives', Mr Ridley concluded, 'the way is clear for the Board to manage the railway so that it gives the country the good quality, efficient service which we all seek.'

British Construction Overseas

British firms associated with the construction industry earned an estimated £3,820 million overseas in 1982-83. Exports of building materials and construction plant and machinery contributed £2,270 million; consulting engineers earned some £580 million; architects' and chartered surveyors' fees amounted to £100 million; about £555 million was earned by building and civil engineering contractors (including £65 million remitted in profits by overseas subsidiaries); and process engineering contractors contributed £315 million. In most sectors levels of activity were comparable with those of the previous year, but building and civil engineering contractors reported a significant increase in earnings.

This article, describing overseas building and civil engineering in 1982-83 and giving details of a number of major contracts, is based on an article contributed by the Department of the Environment to *British business* for 28 October. An article on the overseas work of consulting engineers, architects and chartered surveyors appeared in the September issue of *Survey of Current Affairs* (see pp 308-11).

Value of Overseas Work 1982-83

British building and civil engineering contractors won new overseas orders worth about £2,730 million in 1982-83, an increase of £860 million on the figures for previous years, while the value of work completed (£2,275 million) was also above previous levels (see table). The value of work outstanding at the end of March 1983 was £3,250 million.

The figures for 1982-83 are not directly comparable with those for previous years owing to changes in the way that the Department of the Environment conducts its survey.

Large firms with established expertise overseas continued to secure the biggest contracts. The top seven firms were responsible for about three-quarters (by value) of total construction activity overseas by British firms, whether measured by new orders won, work completed or work outstanding at the end of March 1983. The top 20 firms accounted for 80 per cent of new orders won, 90 per cent of work completed and about 85 per cent of work outstanding.

A higher proportion of new orders was won in Africa (excluding the Middle East in Africa) in 1982-83 than in the Middle East (both in Asia and Africa), the customary chief source. Orders received from the Americas represented another large share of new work.

The Middle East remained the region where the greatest proportion of work was carried out, followed by Africa and the Americas. Significant amounts of work were also done in Hong Kong and Australia.

The Middle East in Asia

Among new contracts won in Saudi Arabia by Laing Wimpey Alireza was one worth about £7·5 million to provide an approach road (with flyover) to Riyadh airport. Another contract which the company has in hand in Saudi Arabia is for the design, construction and equipping of a 150-bed general hospital in Al Jubail. With three floors, it will occupy a site of 110,000 square m (1·2 million square ft). Projects recently completed by Laing Wimpey Alireza in Saudi Arabia include the Saudi Arabian Monetary Agency bank building in Riyadh and the 14-storey Alireza trade centre in the commercial centre of Jeddah.

Laing has also been involved in projects in Dubai, where Al Naboodah Laing has completed a grandstand for a camel race track, and the Naboodah Medcon-Laing consortium has completed the 28-storey Deira tower complex of shops, offices and apartments (and including clinics, a swimming pool, a revolving restaurant and a helipad).

In Oman, Wimpey Alawi LLC has won a contract worth about £12 million to build a housing complex for the Oman Cement Company. The complex will provide accommodation for about 310 staff and their dependants, and will

Construction Work Overseas*
Years ended 31 March

£ million (current prices)

Area	Value of contracts obtained		Value of work done		Value of work outstanding	
	1981-82	1982-83†	1981-82	1982-83†	1981-82	1982-83†
European Community	16	19	38	24	21	15
Rest of Europe	15	36	17	79	18	74
Middle East in Asia	607	752	521	657	588	814
Middle East in Africa	25	24	50	61	49	78
Rest of Asia	276	362	97	260	318	447
Rest of Africa	354	826	304	515	456	837
The Americas	434	455	339	429	374	786
Oceania	143	258	112	251	202	202
All countries	1,870	2,732	1,478	2,275	2,026	3,252

*The figures for 1982-83 are not directly comparable with those for previous years. †Provisional.
Differences between totals and the sum of their component parts are due to rounding.

include a mosque, staff clubs, a swimming pool, a medical centre and shops. Wimpey Alawi also has a £6 million contract for civil and building works for a 250-MW power station at Rusayl in northern Oman. Wimpey International has successfully tendered for a £10 million contract for the Jordan Valley Authority for work on the Amman terminal reservoir.

Bovis International has won two major contracts, one in Abu Dhabi, the other in the People's Democratic Republic of Yemen. The first is to manage a £45 million contract comprising five projects: a 21-storey chamber of commerce and industry building for the Abu Dhabi Public Works Department; a municipal stores project, to provide three-storey warehouses on two sites; a 17-storey project comprising offices, shops and apartments; a water distribution project for the Government of Abu Dhabi, comprising 400 km (250 miles) of pipeline in the city of Al Ain; and a project for the United Arab Emirates armed forces. The second contract, worth nearly £17 million, is for the Public Water Corporation of the People's Democratic Republic of Yemen. The scheme comprises a new well field, complete with a diesel electric power station, a chlorination plant, storage reservoirs and boreholes equipped with submersible pumps, and will provide additional water resources for greater Aden.

Balfour Beatty Construction has won a £14 million subcontract (from Al Jazira Contracting and Investment Company) for the civil and structural works on a 300-m-long jetty for the Bahrain palletising plant. The company also carried out civil engineering and building work for roads, a reservoir, waste disposal lagoons and 16 km (10 miles) of underground services for a refinery for the extraction of potash from the Dead Sea in Jordan.

In Oman the Taylor Woodrow company is involved in two contracts with a local contractor, Towell. The first, worth £35 million, is for the construction of a sports complex on a site west of Muscat, and will be a smaller version of the Olympic City proposed by Oman several years ago for the Pan-Arab Games of 1984. The scheme includes a 30,000-seat stadium, an eight-lane swimming pool, a multi-purpose gymnasium, football and hockey pitches, car parks and ancillary buildings. The other contract is for a £4 million project to construct a five-storey building for the Oman chamber of commerce and industry in Ruwi; special features will be a water cascade from the second floor to a pool outside the entrance hall and a roof enclosing the upper three floors and supported on colonnades.

Also in Oman, Costain International is carrying out all the major civil engineering works for a 600,000 tonnes per year dry process cement plant at Rusayl, comprising construction of a crushing plant, two homogenising silos and six storage silos in reinforced concrete, two prestressed concrete silos, kiln foundations, administrative buildings, roads and temporary works. The Costain Group won the Queen's award for export achievement for the fifth time during the year (see p 200). Other major projects under construction or completed recently by Costain in the Middle East include the Bahrain national stadium, camel-racing grandstands at Al Wathba and Al Ain in Abu Dhabi and grain storage silos in Oman.

Cementation International, part of the Trafalgar House Group, is now involved in the construction of the Sultan Qaboos university in Oman. The master plan of the university covers an area of 10 square km (4 square miles) and caters for a population of 3,000 students in five faculties.

En-Tout-Cas, a firm specialising in the construction of athletic surfaces, has installed synthetic tracks at the Police Academy in Abu Dhabi, the Bin Hanbel school at Doha, Qatar, and at the Tabouk military base in Saudi Arabia.

Africa

George Wimpey International and Taylor Woodrow International have a 22 per cent holding in the Eurotag consortium which is to carry out work worth £305 million on one of the largest civil engineering projects currently under way in Africa – the second phase of the transgabonese railway from Boone to Franceville.

A Taylor Woodrow subsidiary, Taysac Construction Ghana, has completed work ahead of schedule on a palm-oil mill built 150 km (93 miles) north-east of Accra for the Ghana Palm Oil Development Corporation. The mill, which will greatly contribute to providing the country's domestic requirements for margarine and soap, required considerable earthworks for its construction, the placing of 3,000 cubic m (106,000 cubic ft) of cement, and the transport for some 130 km (80 miles) of 3,500 tonnes of equipment and construction materials.

Sir Alfred McAlpine has won its first major share in the Nigerian construction market, having previously concentrated its efforts in Sudan. The project is for a variety of health schemes for the Plateau State. The contract, worth £50 million, is under Balfour Beatty management. Major elements of the project comprise a medical technical training school, ten hospitals and 50 clinics.

The Tarmac company has won a large Algerian contract, worth £45 million, jointly with Clasp International, for the construction of four hospitals in the Mascara area of the country, south-east of Oran.

The Balfour Beatty Construction company has won two contracts for irrigation works in West Africa. The larger of the two, worth £30 million, is for the construction of a dam on the Balanga river in Bauchi State, Nigeria, for the state government. The dam will be 240 m long and 38 m high, and will eventually provide irrigation for an area of 5,000 hectares (12,350 acres). The second contract is for the Jahaly Pacharr irrigation scheme for the Ministry of Agriculture and Natural Resources in the Gambia, and provides for the levelling of 500 hectares (1,235 acres) of land for rice, and the construction of 25 km (16 miles) of flood protection and five pumping stations. In southern Tanzania, Balfour Beatty has won a contract, worth £32 million, to construct 160 km (100 miles) of road from Wino to Songea. It will run through remote and hilly country and consist of a 6-m carriageway with 1·2-m shoulders.

Costain International and Costain (West Africa) are continuing work on the £100 million Oyo water project in Oyo State, Nigeria (see p 359, 1982), which when completed will provide water supplies and irrigation networks covering an area of 2,800 square km (1,080 square miles).

In the Plateau State, Lilley Construction has a £38 million contract to design and construct water supply systems (including treatment works) for a number of towns.

Bovis International is managing a British consortium working on three major road contracts for Hispanic Construction (Nigeria) in Bendel State, Nigeria, with a combined total length of 147 km (90 miles), while in Brazzaville, in the People's Republic of the Congo, the company is managing contractor for the construction of a £7 million nine-storey block of luxury apartments, which, on completion, is expected to be the tallest building in the city.

Higgs and Hill has obtained a contract to manage the construction of the first stage of the Pyramids Road hospital south of Cairo, the first scheme under a health protocol signed between the British and Egyptian governments.

In Malawi, Kier International, a member of the French Kier Group, has won contracts for three education-related projects worth £6 million. They include secondary schools and a Natural Resources College, together with water sewage installations and associated roads.

Rest of the World

In Asia British contractors have been particularly active in Hong Kong in 1982-83, securing orders worth £180 million in all.

Among these was a contract for Kier International (in a joint venture with Gammon Hong Kong Ltd) worth £54 million for the construction of a coolant circulating system for the Castle Peak B power station. The system will require a pump-house measuring 65 m by 59 m and extending 15 m below sea-level with 60-m-long cased concrete pile foundations. Another Kier contract in Hong Kong was for £17 million in a joint venture with Lilley Construction and Gammon (Hong Kong) to construct a five-level basement concourse for the Sai Wan Ho station on the Island Line, which is run by the Mass Transit Railway Corporation (MTR). The concourse covers an area of 2,760 square m (30,000 square ft), and the work will include foundations for a future multi-storey development over the whole site and a two-storey building at surface level.

George Wimpey also obtained a contract from the MTR (worth £16 million) for a viaduct and elevated station for the Island Line, while Marples Ridgway won a £14 million MTR contract to build a concourse at Causeway Bay East station, which will involve major excavations and site preparations.

Henry Boot has won a £6·4 million contract for road works on the second stage of the Island eastern corridor system, comprising a 700-m-long dual three-lane highway between Quarry Bay and Taikooshing.

In Java, Indonesia, Balfour Beatty Construction is to act as the leader on a £28 million project (in a joint venture with three overseas companies) to provide electricity transmission facilities. In Sri Lanka the company completed the final breakthrough of a 5·8-km (3·6-mile) tunnel at the Victoria dam site on the Mahaweli river near Kandy, a project which involved the excavation of some 250,000 cubic m (8·8 million cubic ft) of hard rock and the overcoming of numerous problems arising from fault zones.

Teamwork Malaysia, an associate company of the Taylor Woodrow group, has won a £9 million contract to extend part of the passenger facilities at Subang international airport, Kuala Lumpur.

In North America George Wimpey has obtained £45 million worth of contracts in Canada. The largest project is a joint venture with George Wimpey America and another local company to construct a £36 million hydroelectric scheme for the Newfoundland and Labrador Hydro corporation. The Toronto office of George Wimpey has announced the award of a further three contracts, totalling £6 million, the largest of which is for the construction of a bridge together with associated roads and sewers for the corporation of the City of Chatham in Ontario. Another Wimpey award was a £3 million contract for the Ministry of Transportation and Communications, to provide grading, drainage, a granular base and hot asphalt surfacing for the Brantford section of Highway 403, Ontario.

To add to their overseas earnings a number of British firms are expanding in construction-related fields in the United States. Balfour Beatty Construction, for example, has expanded through the formation of EMJ Engineers and through the acquisition of the stock of McFarland-Johnson Engineers Inc. Similarly, John Mowlem and Richard Costain have made considerable mine contracting investments in the United States.

In Europe the British-Irish joint venture Press-O'Neil has completed its participation in the Republic of Ireland's largest ever construction project – the £630 million alumina extraction plant on Aughinish Island in the Shannon estuary. At peak spells the workforce numbered 2,500 and the materials involved included some 14,500 tonnes of structural steel, 25,000 square m (270,000 square ft) of metal decking and almost 160 km (100 miles) of pipework.

Laing SA has secured a £51 million contract to build a 'borstal' (place of detention for minors) in Spain, which will accommodate 456 inmates.

A contract valued at £3 million has been awarded to Costain Civil Engineering by Mobile Oil Hellas for the design and construction of an oil jetty at Skaramangas in Elefsis Bay, Greece.

Shorter Notes

NATIONALISED INDUSTRIES OVERSEAS GROUP

Consultancy earnings of the 20 members of the Nationalised Industries Overseas Group (compris-

ing most nationalised industries and a number of other public bodies) rose considerably in 1982-83, making a substantial contribution to Britain's balance of payments, according to the Group's annual report. Members' earnings from overseas project consultancies, project management and associated activities totalled £341·6 million, nearly 50 per cent more than the equivalent figure in 1981-82 after adjusting for changes in the Group's membership. Some 55·6 per cent of earnings originated in the Middle East and North Africa, 14·7 per cent in Western Europe, 10·5 per cent in North America, 8·4 per cent in Africa (excluding North Africa), 6·9 per cent in South-East Asia, 3 per cent in Latin America and the Caribbean, and 0·9 per cent in Australia and New Zealand. In mid-1983 members had 994 overseas consultancy projects in hand as well as a number at an advanced stage of negotiation. The value of members' total earnings from overseas activities of all kinds, including direct exports of goods, in some 100 countries was £2,787 million in 1982-83, compared with £2,676 million in 1981-82.

The report notes some of the achievements in areas where difficult market problems were overcome and a number of particularly important contracts won by skill and effort by the individual corporations concerned. In the United States three major successes were achieved: London Transport International, in conjunction with a local consultancy firm, gained the contract to advise the New York City Transit Authority on parts of its five-year capital revitalisation plan; Transmark (the consultancy subsidiary of the British Railways Board) won a second three-year special consultancy contract from the Federal Railroad Administration of the Department of Transportation; and the National Coal Board was investigating the development of pressurised fluidised bed combustion systems relevant to combined cycle power plants for the Department of Energy. A £26 million contract was signed by the British Steel Corporation with the Congolese Government in connection with the realignment of the railway between Brazzaville and Pointe Noire. The Corporation was to supply track and other items worth £3·7 million and British Rail Engineering Ltd was to provide wagons and coaches worth £22·8 million. The value of close collaboration between British public and private sector companies in overseas markets was demonstrated. For example, British Electricity International Ltd secured a major contract with the National Thermal Power Corporation of India for services in support of a 1,000-megawatt coal-fired power station being supplied by Northern Engineering Industries.

During the year the Group held a review of its activities and adopted new terms of reference, pointing to four main areas of work: providing a forum for the exchange of views and experience among those members involved in the overseas project consultancy business; providing common services designed to assist members in this work; considering policy issues which could affect the relevant overseas activities of all or most of its members, and making representations where appropriate to governments and other bodies; and fostering co-operation between the public and private sectors in the task of increasing Britain's net overseas earnings.

Source: *Nationalised Industries Overseas Group Annual Report 1982-83.* Available free from the Group, Hobart House, Grosvenor Place, London SW1X 7AE.

ENERGY EFFICIENCY OFFICE

The establishment of an Energy Efficiency Office within the Department of Energy to act as the focus of the Government's energy conservation policies was announced by the Secretary of State for Energy, Mr Peter Walker, in the House of Commons on 31 October. Mr Walker said that the Office would 'spearhead a co-ordinated drive for energy efficiency throughout the economy'. It would 'secure a sharper focus for the Government's work on energy efficiency' and would 'monitor, co-ordinate and develop policies and administer its own programmes of assistance, information and advice'. It reflected the Government's commitment to policies which would 'encourage increased efficiency in energy use, give consumers better value for money, and increase industrial and commercial competitiveness'. The reward for success could be a saving of £7,000 million a year on Britain's energy bill in the 1990s.

Launching an energy-saving campaign at a press conference, Mr Walker said that the Office's objective would be to make Britain 'the most energy efficient country in the Western world'. Expenditure on energy in Britain amounted to about £100 million a day, and the Government believed that £20 million of this was wasted. In the coming months government ministers would visit 40 towns and cities throughout Britain to launch the campaign which in each area would include local radio and newspaper advertising and direct contact with industry, commerce and local authorities.

Sources: *Hansard,* Vol 47, No 38, written answers, col 259; and Energy Efficiency Office press notice, 31.10.83.

NORTHERN IRELAND GAS INDUSTRY

Agreement to pipe natural gas from Dublin[1] to Northern Ireland was announced on 10 October by Mr Adam Butler, Minister of State in the Northern Ireland Office, and Mr John Bruton, the Irish Republic's Minister for Industry and Energy. A formal memorandum of understanding between Britain and the Irish Republic will form the basis of a legal contract, extending for a period of 22 years to 2006. Construction of the pipeline from Dublin to Belfast will take about two years and both governments have agreed that work should

[1]The gas originates from the Kinsale field off the south coast of the Irish Republic and is carried by pipeline to Dublin.

start immediately. The British Government will make a contribution of £5 million towards the cost of the section between Dublin and the border with Northern Ireland. The agreement will mean that the gas industry will continue in Northern Ireland and that most people will eventually have the same choice of fuels as in the rest of Britain. The project will involve capital investment of about £150 million including the provision of adequate storage facilities. It is hoped that the gas industry will treble or quadruple its share of the energy market, at present 3 per cent, by the end of the century. The agreement should mean that competition in the energy field will be increased and that Northern Ireland will be able to offer prospective industrial investors the same range of energy sources as all its major competitors.

The Government's views on the restructuring of the gas industry in Northern Ireland, issued in a paper on 13 October,[1] involve the establishment of a new company, the Northern Ireland Gas Company Ltd, and substantial private sector participation.

Source: Northern Ireland Office press notices, 10.10.83.

CENTRE FOR ECONOMIC POLICY RESEARCH

A Centre for Economic Policy Research has been established in London to promote independent, objective analysis and public discussion of open economies and relations between them. Institutional finance for an initial five-year period has been provided by the Social Science Research Council, the Leverhulme Trust, the Esmée Fairbairn Trust, the Rockefeller Foundation and the Bank of England. The Centre is a private, non-profit-making educational charity. It has a Board of Governors and its first Director is Professor Richard Portes, Head of the Department of Economics at Birkbeck College, University of London; it will share certain facilities with the Royal Institute of International Affairs at Chatham House.

Research will initially be limited to four specific areas: international macroeconomics, international trade, comparative applied economics and econometrics, and economic history and demography. The Centre will draw primarily on academic researchers, co-ordinating the work of selected specialists from many institutions. It will bring them together with research sponsors and customers as well as with business and government economists. The 40 to 50 research fellows, who will retain their academic links, will be appointed for two-year, renewable periods. Most will be from Britain but foreign associates will also be essential to the international role of the Centre.

Source: Centre for Economic Policy Research.

[1] *The Structure of the Northern Ireland Natural Gas Industry.* Available from the Northern Ireland Information Service, Stormont Castle, Belfast BT4 3ST.

EXPORT CREDITS

The threat of a credit war between the major industrial countries has been averted by changes to the international consensus on export credit terms for capital goods agreed by representatives of the European Community, Japan and the United States. The consensus, established in 1976, embodies guidelines on the maximum length and minimum interest rates applicable to credits extended to exporters to various categories of developing country. It is seen as a means of keeping international competition in officially provided credit under control. The founder members were Britain, Canada, France, the Federal Republic of Germany, Italy and Japan; the guidelines were later adopted by nearly all the other member countries of the Organisation for Economic Co-operation and Development. The new agreement is in three parts.

First, from January 1984 the minimum permissible interest rate on these export credits will be automatically adjusted at half-yearly or longer intervals in accordance with changes in a weighted average of international interest rates; this replaces the existing system of annual bargaining.

Secondly, there will be immediate reductions in interest rates applicable to exporters to 'relatively poor' countries (mainly those with a gross national product per head under $725) and 'intermediate' countries (between $725 and $4,000) but not 'relatively rich' countries (over $4,000).

Thirdly, there has been confirmation of changes introduced in July which were designed to reduce progressively the element of official subsidy in export credits.

Source: Export Credits Guarantee Department press notice, 13.10.83.

NATIONAL SAVINGS

A new National Savings instrument, designed to enable savers to accumulate interest at a high rate on lump sum investments, was launched on 17 October.

The National Savings Deposit Bond carries an initial interest rate of 11·5 per cent per year; six months' notice will be given of any change in the interest rate, which will remain competitive. Interest is calculated on a daily basis, starting from the date of purchase, and will be added to the capital value on the anniversary of this date. Interest is taxable but will not be deducted at source.

The bonds may be held by people (individually or in groups) or by corporate bodies; there are no age restrictions. They are available in multiples of £50 with a minimum holding of £500 and a maximum of £50,000. Three months' notice is required for repayment. There are no penalties for repayment on or after the first anniversary of purchase but, when repayment occurs during the first year, interest will be at half the published rate.

Purchases can be made at post offices, through coupons in newspapers or from the Deposit Bond Office in Glasgow.

Sources: Department for National Savings press notices, 29.9.83 and 13.10.83.

UNITED NATIONS ENVIRONMENT AWARDS

Silver medals awarded under the United Nations Environment Programme have been presented to the Industrial Air Pollution Inspectorate of the Health and Safety Executive, the National Trust for Places of Historic Interest or Natural Beauty, and Dr Martin Holdgate, Chief Scientist at the Department of the Environment. The medals, which commemorate the tenth anniversary of the programme, are awarded for excellence and leadership in environmental conservation during the past decade and recognise the value of the work carried out by the recipients and its contribution to the protection, enhancement and rehabilitation of the environment.

Making the presentations on behalf of the programme, Mr Patrick Jenkin, Secretary of State for the Environment, said that care of the environment had long been a sphere of endeavour in which Britain had been proud to give a lead. Controls over pollution had been introduced over a century ago and had been successively strengthened; they were being enforced today more vigorously than ever before. The awards 'underline our long-standing commitment to the care of our environment. The distribution of the medals to a government agency, to a voluntary organisation and to an individual scientist shows the strength and diversity of our national interest.'

Environmental protection, however, had also become an international issue, and successive British governments had therefore supported the United Nations Environment Programme; Britain had recently increased its financial contribution by one quarter to £750,000 a year.

The Industrial Air Pollution Inspectorate's functions had originated in the Alkali Act 1863, the first legislation of its kind in the world. The Inspectorate consisted of highly qualified staff whose work ensured that the best practical means were used to protect the country from industrial pollution. The National Trust was part of the voluntary movement, 'one of our greatest strengths'; it was hard to imagine the conservation of Britain's heritage without the work of the National Trust and its counterpart, the National Trust for Scotland.[1] Dr Holdgate had helped to prepare the first international conservation measure to protect the wildlife of the entire continent of Antarctica, and had been one of the three editors of the United Nations Environment Programme's report on 'The World Environment 1972-82'. He had been appointed president of the programme's governing council.

[1]Further details are given in COI reference paper *The National Trust Movement in Britain*, No 209/83.

The awards 'demonstrate not only Britain's firm commitment to the protection of the environment, but also the vigour of our present efforts and the high importance we accord them . . . The worst environmental consequences of the industrial revolution have been removed and we are still making good progress. Even more important, attitudes have changed; environmentalists can now count on wide popular support for their cause.' There was still a growing international challenge to be faced, which was recognised by the existence of the United Nations Environment Programme. Britain would co-operate with the programme in areas of mutual concern, which were vital to the future of mankind and to the planet.

Sources: Department of the Environment and United Nations Environment Programme press notices, 24.10.83.

RADIOACTIVE WASTE DISPOSAL SITES

The Government's approach to land disposal of radioactive wastes, including the possible authorisation of two sites for development, was outlined by the Secretary of State for the Environment, Mr Patrick Jenkin, in the House of Commons on 25 October. Mr Jenkin said that the White Paper issued in 1982 (see p 277, 1982) had stressed the great importance which the Government attached to the safe and effective management of radioactive wastes. There was a need to bring land disposal facilities for intermediate-level wastes into operation by the end of the 1980s. Responsibility for providing these facilities rested with the nuclear energy industry and the electricity generating boards through the Nuclear Industry Radioactive Waste Executive (NIREX). The technology for constructing and monitoring such facilities was well developed and NIREX would be able to draw on extensive research and operational experience in other countries.

Mr Jenkin said that two new facilities were likely to be needed, one a concrete-lined trench and the other a deep underground cavity. NIREX had announced two sites which it considered sufficiently promising to justify further investigation: Billingham (Cleveland) for a deep facility and Elstow (Bedfordshire) for a shallow facility. The decision by NIREX whether to proceed with proposals for these sites would depend on the outcome of survey, drilling and other investigatory works. It was possible that such works might require planning permission and, if so, he would call in the applications for determination after public inquiries. If NIREX wished in due course to propose that a disposal facility should be established at these or any other sites, planning permission would be necessary. At this stage also he would call in any such application and arrange for a public inquiry to be held under an independent inspector at which the merits of disposal at the proposed site would be considered in the light of the views of all concerned.

In addition to planning permission, any arrangements for disposing of radioactive waste in England would require his authorisation, acting jointly with the Minister of Agriculture, Fisheries and Food, under the Radioactive Substances Act 1960. He had published that day a consultation document embodying the principles it was proposed that authorising departments should apply in assessing schemes.[1] He intended to seek the advice of the Radioactive Waste Management Advisory Committee and to strengthen the Committee by the appointment of additional members. The final statement of principles would be published as a framework for consideration of the individual schemes. Sites would also be subject to licensing by the Nuclear Installations Inspectorate of the Health and Safety Executive, and appropriate regulations would be brought forward in due course. Approval of the schemes would depend on satisfying a comprehensive range of exacting requirements designed to safeguard the public and the workforce.

Source: *Hansard*, Vol 47, No 34, cols 156-7.

[1] *Disposal Facilities on Land for Low- and Intermediate-level Radioactive Wastes: Draft Principles for the Protection of the Human Environment*. Department of the Environment, Scottish Office, Welsh Office, Department of the Environment for Northern Ireland and the Ministry of Agriculture, Fisheries and Food. Available free from the Department of the Environment, Room A511, Romney House, 43 Marsham Street, London SW1P 3PY.

New Procedures for Police Complaints and Discipline

A Police Complaints Authority, with power to supervise the investigation of any complaint against a police officer in England and Wales, is proposed in a White Paper published on 27 October.[1] This would strengthen substantially the element of independent assessment at the investigation stage. The White Paper also proposes improvements in police disciplinary procedures to give police officers a firmer assurance of a fair deal.

A White Paper published last October (see p 367, 1982) described the Government's proposals for changes to the system for handling complaints against the police in England and Wales. Legislative effect to these proposals was to have been given by the Police and Criminal Evidence Bill, introduced to Parliament last autumn (see p 419), but the Bill fell in May 1983 at the dissolution of Parliament. Since then the Government has looked again at the proposals on police complaints in the light of comments made both inside and outside Parliament. The new White Paper makes clear that the Government has taken steps to strengthen its original proposals because it sees a clear link between, on the one hand, police effectiveness and, on the other, public confidence that complaints against police officers would be fully and properly dealt with.

The Present System of Police Complaints Procedures

Under the present system every complaint against a police officer has to be investigated by a senior police officer, who reports to the deputy chief constable. If there is an allegation of criminal conduct, the report must be sent to the Director of Public Prosecutions who advises whether the officer should be charged. After any such reference, the deputy chief constable considers whether any disciplinary charge should be brought. This decision is subject to review by the Police Complaints Board, which may recommend or direct that charges be brought.

The Proposed Police Complaints Authority

Under the Government's proposals, the Authority would be required to supervise the investigation of all complaints alleging death or serious injury, and would be empowered to supervise in any other case where it considered this to be in the public interest. In order that the Authority should be able to decide whether to supervise or not, the Secretary of State would be required to prescribe categories of complaint which must always be brought to its attention. In every case in which it exercised supervision the Authority would be able to approve or veto the appointment of the investigating officer and to give directions as to the conduct of the investigation. The Authority would receive the report of the investigation and would have to certify – both to the chief officer and to the complainant – whether it was satisfied with the thoroughness, speed and impartiality of the investigation. The Authority's powers would extend to complaints against all ranks of police officer. It would also take over the disciplinary functions of the Police Complaints Board which would be abolished. It is not proposed to place any restriction on the freedom of investigating officers to consult the Director of Public Prosecutions direct – though in cases supervised by the Authority the officer would be required to inform it that he intended to do so and of the outcome. Provision for these changes is contained in the new Police and Criminal Evidence Bill. (This Bill was given a second reading in the House of Commons on 7 November (*Hansard*, Vol 48, No 43, cols 25-111).)

Minor Complaints

In addition, the White Paper describes in detail the Government's plans to enable minor complaints to be resolved by informal means, where the complainant is willing for this to happen. Experience suggests that many complainants might prefer their case to be dealt with by conciliation and discussion, rather than the full rigours of formal investigation, and this would now become possible for the first time.

Disciplinary Procedures

The White Paper also deals with disciplinary procedures. In the Government's view, the complaints system, if it is to be effective, must enjoy the confidence of the police service as well as of the public. The White Paper proposals, incorporated in the Bill, make a number of significant improvements to disciplinary procedures, designed to give the police officer a firmer assurance of a fair deal. An important feature is a proposed widening of police officers' rights in discipline

[1] *Police Complaints and Discipline Procedures.* Cmnd 9072. HMSO, £3·15. ISBN 0 10 190720 6.

appeal cases, so that in future no officer would be liable to lose his job or his rank without the opportunity of having a lawyer to put his case to a tribunal. The membership of appeal tribunals would be extended to include in all cases a retired member drawn from the ranks represented by the officer's own staff association.

Shorter Note

MANAGEMENT IN THE NATIONAL HEALTH SERVICE

Proposals for improving the management of the National Health Service in England made by an inquiry team under the chairmanship of Mr Roy Griffiths, deputy chairman and managing director of Sainsbury's, the retail grocery stores, have been welcomed by the Secretary of State for Social Services, Mr Norman Fowler. The key recommendation is that clear management responsibility should be identified for carrying out all the functions of the service and that this should be devolved as near the patient as is practicable.

In a statement in the House of Commons on 25 October Mr Fowler said that the inquiry endorsed the main initiatives already taken by the Government to make health authorities accountable for the performance of the services they provide but found that at all levels management functions were not clearly defined. The inquiry proposed the establishment of a Health Services Supervisory Board within the Department of Health and Social Security under the chairmanship of the Secretary of State. Accountable to it would be a Management Board which would bring together the Department's present functions relating to the hospital and community services, the family practitioner services and the special health authorities. At the regional and district levels the inquiry recommended the identification of a general manager to secure effective management of the authority's services. It also proposed that hospitals and other units of management should as far as possible take all the day-to-day management decisions. The inquiry also believed that major cost improvement programmes should be initiated which were aimed at much higher efficiency than at present.

Mr Fowler said that the inquiry did not recommend any further structural reorganisation of the service nor would there be additional costs or staff. The inquiry team were concerned to secure the best deal for patients within available resources. He would be setting up the Health Services Supervisory Board as recommended and, subject to consultations with the health authorities and professional staff, hoped that authorities would be able to start implementing the general management functions by April 1984.

Source: *Hansard*, Vol 47, No 34, cols 168–77.

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Streamlining the Cities: Government Proposals for reorganising Local Government in Greater London and the Metropolitan Counties (see pp 353-6). Cmnd 9063. HMSO, £3·60. ISBN 0 10 190630 7.

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Speech by the Right Hon Sir Geoffrey Howe, QC, MP, Secretary of State for Foreign and Commonwealth Affairs, at the Meeting to follow up the Conference on Security and Co-operation in Europe held at Madrid on 7 September 1983 (see pp 324-5). Cmnd 9067. HMSO, £1·30. ISBN 0 10 190670 6.

British Overseas Aid 1982. The first in a new series of annual reviews of British development aid and the work of the Overseas Development Administration. HMSO, £4·95.

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Inland Revenue Statistics 1983. Board of Inland Revenue. HMSO, £9·50. ISBN 0 11 641356 5.

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Construction Health and Safety 1981-82. HMSO, £5. ISBN 0 11 883717 6.

Reorganisation of Local Government in Greater London. Reallocation of Transport Responsibilities: Consultation Paper. Following the proposed reorganisation of local government set out in the White Paper *Streamlining the Cities* (see pp 353-6), the consultation paper says that the London borough councils would become the highway and traffic management authorities for all roads other than trunk roads. Most of the 895 miles (1,440 km) of metropolitan roads at present under the control of the Greater London Council would be transferred to the borough councils, but about 70 miles (113 km) would be added to the trunk road network, the responsibility of the Department of Transport. Available free from the Department of Transport, 2 Marsham Street, London SW1P 3EB.

Reorganisation of Local Government in the Metropolitan Areas. Reallocation of Transport Responsibilities: Consultation Paper. Sets out proposals for the reallocation of responsibility for the transport functions of the metropolitan county councils

which would be abolished under the proposals contained in the White Paper *Streamlining the Cities* (see pp 353-6). The Government considers that most transport functions can be carried out satisfactorily by the metropolitan district councils and the aim is therefore to achieve the maximum possible devolution of metropolitan county council transport functions to the district councils. For public transport the arrangements would revert to those operating prior to the establishment of the metropolitan county councils. Joint boards of elected representatives drawn from the district councils would replace the county councils as the passenger transport authorities. For all roads other than trunk roads, the metropolitan district councils would become the highway and traffic authorities. Available free from the Department of Transport, 2 Marsham Street, London SW1P 3EB.

Hovercraft in Britain. COI, No 206/83. (French and Spanish editions in preparation.)

Inland Waterways in Britain. COI, No 49/83.

Department of Trade and Industry Research and Development Report 1982-83. Available free from the Library, Department of Trade and Industry, Ashdown House, 123 Victoria Street, London SW1E 6RB.

The Natural Environment Research Council Report for 1982-83. Available from HMSO, £5.

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Social and Cultural Affairs

Police Complaints and Discipline Procedures (see pp 390-1). Cmnd 9072. HMSO, £3·15. ISBN 0 10 190720 6.

Third Report of the Independent Scientific Committee on Smoking and Health. The Committee says that the reduction in the tar yields of cigarettes over the past 20 years appears to have contributed to a decline in death rates from lung cancer. It recommends steps for a further reduction but recognises that account must be taken of consumer acceptability. It also states that there are sufficient health grounds to require substantial reductions in carbon monoxide yields. HMSO, £2·95. ISBN 0 11 320838 3.

Department of Education and Science. Annual Report 1982. HMSO, £5·50. ISBN 0 11 270558 8.

Young Children with Special Educational Needs. A survey by Her Majesty's Inspectors made in 61 nurseries. Available free from the Department of Education and Science, Honeypot Lane, Stanmore, Middlesex HA7 1AZ. ISBN 0 85522 136 4.

National Youth Bureau. Report of Review. The Bureau, an independent charity, has as its objectives the collection and analysis of factual material, besides providing a forum for discussion and joint action in the field of social education for young people. The report, by an independent reviewer, advises that the Bureau should give priority to the collection and dissemination of data and information on the Youth Service, and acknowledges that the role of the Youth Service has now been extended into the broader field of youth affairs and that youth unemployment is a primary concern. Available free from the Department of Education and Science, Elizabeth House, York Road, London SE1 7PH.

The Urban Programme: Tackling Racial Disadvantage. Describes 44 voluntary projects receiving Urban Programme funds which are designed to help ethnic minorities. The emphasis is on economic regeneration and help is given, for example, to co-operatives, business enterprises and for training in many skills. Other projects include cultural and recreational activities, help with the English language, nursery classes and advice centres. There is a strong element of self-help in the projects and in 1983-84 grants amounted to £27 million. Department of the Environment, unpriced.

Streamlining the Cities – Housing. This consultation paper discusses the consequences for housing of proposals to abolish the Greater London Council and the metropolitan county councils (see pp 353-6). Only the Greater London Council has extensive involvement in housing matters. Available free from the Department of the Environment, 2 Marsham Street, London SW1P 3EB.

The Reallocation of Planning Functions in the Greater London Council and Metropolitan County Council Areas. Proposals in the White Paper *Streamlining the Cities* (see pp 353-6) make clear the intention to transfer to the London borough councils and the metropolitan district councils all existing planning functions of the Greater London Council and the metropolitan district councils. This consultation paper describes in more detail how borough and district councils will take over all local planning work and development control, becoming structure planning authorities. Available free from the Department of the Environment, 2 Marsham Street, London SW1P 3EB.

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